THE NEW REPUBLIC

Is Wall Street Good for Main Street? | *Jackson Lears*

WWW.TNR.COM ▶ JUNE 20, 2005

E BALLAD OF CK ABRAMOFF
...BEGINS WITH YOUNG JACK AS A STUDENT IN MASSACHUSETTS, WHERE HE MEETS FELLOW CONSERVATIVE GROVER NORQUIST AS THEY MOBILIZE COLLEGE CAMPUSES ON BEHALF OF RONALD REAGAN. CAMPAIGNING ENTHUSIASTICALLY AS BEWILDERED STUDENTS WALK BY.
THERE'S NO GOVERN-MENT LIKE NO GOVERN-MENT!
REAGAN
DURING THE REAGAN ADMINISTRATION, ABRAMOFF HEADS TO HOLLYWOOD TO PRODUCE THE ANTI-COMMUNIST FILM "RED SCORPION," WHICH USES TROOPS FROM THE OPPRESSIVE SOUTH AFRICAN BOTHA REGIME AS EXTRAS.
DIE, MUTTER-#?*ERS!
NO SHOOT!
PLEASE, COMRADE, MERCY!
POST-HOLLYWOOD, ABRAMOFF SMELLS MONEY ON K STREET AND STARTS LOBBYING FOR INDIAN CASINOS. HE GETS THEM TO DONATE TO THE GOP, HELPING OUT BEST BUD TOM DELAY.
MORONS!
RIDING HIGH ON MILLIONS OF DOLLARS FROM INDIAN CASINOS, ABRAMOFF IS NOW THE HIGHEST-PAID LOBBYIST IN WASHINGTON AND OPENS HIS OWN KOSHER DELI.
GEFILTE FISH!
CHOPPED LIVER!
CACHING!
STACKS DELI
BUT ALAS... A STORY IN A SMALL-TOWN PAPER CIRCULATES IN WASHINGTON, LEADING TO SENATE HEARINGS INVESTIGATING THE RELATIONSHIP BETWEEN THE INDIANS AND ABRAMOFF.
HOW DO YOU SLEEP AT NIGHT?
THE DOWNFALL OF THE MOST POWERFUL LOBBYIST ON K STREET HAS MANY OF HIS FORMER CRONIES EAGER TO DISOWN HIM.
HIYA, PAL!
UM... GOTTA GO!
DREW FRIEDMAN / M. BIDUS
INSIDE, MORE TALES FROM THE ABRAMOFF AND DELAY FILES!
BY MICHAEL CROWLEY, FRANKLIN FOER, AND JOHN B. JUDIS

25>
$3.95US $3.95CAN
0 71486 01742 4

#BXNRTKG ******AUTO**5-DIGIT 94301
#9070100000554422# 0520 14MAR07 18
RON K UNZ 0001
371 2898-7
555 BRYANT ST
PALO ALTO CA 94301-1704

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The *real* issues of Social Security reform

There is no longer any doubt that Social Security needs to be reformed. The nation's troubled retirement program will begin running a deficit in just 12 years. Overall, the program faces unfunded liabilities of more than $12 trillion. But while the politicians in Washington debate whether this represents a crisis or just a big problem, the Cato Institute believes it is an opportunity to build a new and better retirement program for all Americans.

Ownership

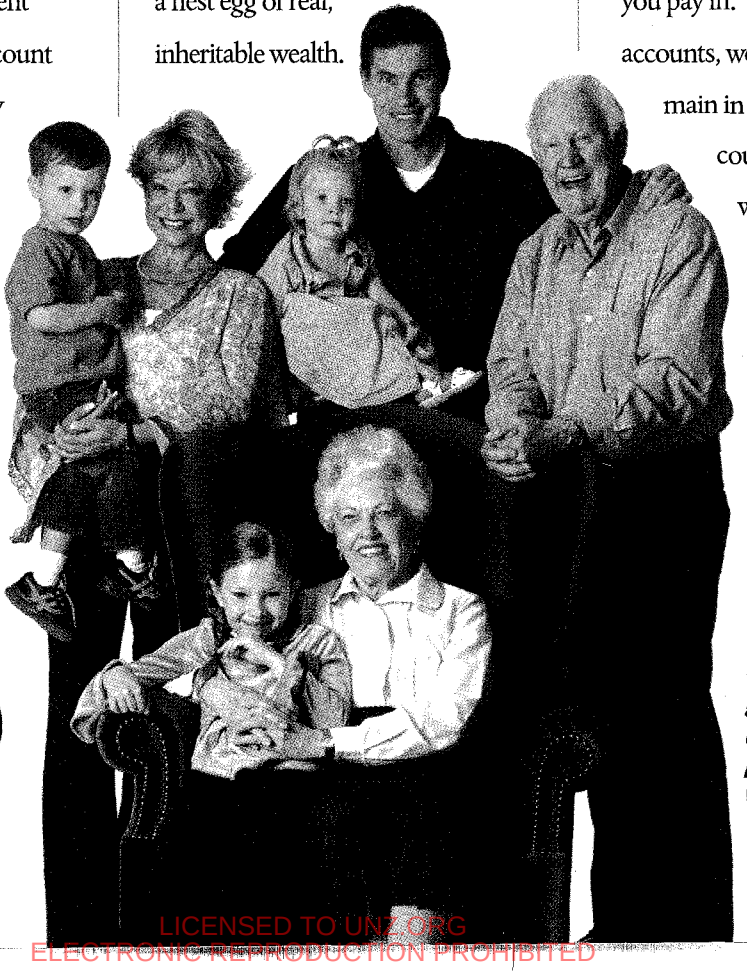
Under the current Social Security system you have no legal, contractual, or property rights to your benefits. What you receive from Social Security is entirely up to the 535 members of Congress. But personal retirement accounts would give you ownership and control over your retirement funds. The money in your account would belong to you—money the politicians could never take away.

Inheritability

Because you don't own your Social Security benefits under the current system, they are not inheritable. Millions of workers are not able to pass anything on to their loved ones. But personal retirement accounts would change that by enabling you to build a nest egg of real, inheritable wealth.

Choice

Choice is part of the essence of America. Yet when it comes to retirement, Congress forces all Americans into a one-size-fits-all, cookie-cutter retirement program, a system that cannot pay the benefits it has promised and under which you have no right to the money you pay in. With personal retirement accounts, workers who wanted to remain in traditional Social Security could do so. But younger workers who wanted a choice to save and invest for their future retirement would have that option.



CATO INSTITUTE

To help publish this ad and promote this message on radio and television, please visit our website: www.socialsecurity.org.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

EDITOR-IN-CHIEF
MARTIN PERETZ

EDITOR Peter Beinart (on leave)
ACTING EDITOR J. Peter Scoblic
LITERARY EDITOR Leon Wieseltier
MANAGING EDITOR Jeremy Kahn
FOREIGN EDITOR Joshua Kurlantzick
SENIOR EDITORS
Jonathan Chait, Jonathan Cohn, Michelle Cottle, Michael Crowley, Gregg Easterbrook, Franklin Foer, Ruth Franklin, John B. Judis, Lawrence F. Kaplan, Ryan Lizza, Noam Scheiber, Andrew Sullivan, James Wood, Jason Zengerle
LEGAL AFFAIRS Jeffrey Rosen
ASSISTANT MANAGING EDITOR
Adam B. Kushner
TNR ONLINE
Richard Just, Editor
Christiane Culhane, Culture Editor
FILMS Stanley Kauffmann
THEATER Robert Brustein
ART Jed Perl
MUSIC David Hajdu
ARCHITECTURE Martin Filler
DANCE Jennifer Homans
TELEVISION Lee Siegel
POETRY EDITOR Glyn Maxwell
CONTRIBUTING EDITORS
Fouad Ajami, David A. Bell, Paul Berman, Jean Bethke Elshtain, Nathan Glazer, Anthony Grafton, David Grann, Robert Kagan, Michael Kinsley, Charles Krauthammer, Jeremy McCarter, John McWhorter, Sherwin B. Nuland, Christopher Orr, David Rieff, Maggie Scarf, Ronald Steel, Cass R. Sunstein, Alan Taylor, E.V. Thaw, Helen Vendler, Michael Walzer, Sean Wilentz, Alan Wolfe, Robert Wright
CONTRIBUTING ARTISTS
Jack Coughlin, David Cowles, Vint Lawrence, David Schorr
FOREIGN CORRESPONDENTS
Massoud Ansari, Masha Gessen, Yossi Klein Halevi, Janine Zacharia
ASSOCIATE EDITOR Spencer Ackerman
ART/DESIGN DIRECTION
Joe Heroun, Christine Car/H2C Media
EDITORIAL-CORPORATE COORDINATOR
Laura E. Obolensky
PRODUCTION DIRECTOR AND INFORMATION-TECHNOLOGY DIRECTOR
Bruce Steinke
PRODUCTION MANAGER
Henry Riggs
ASSISTANT EDITORS
Kara Baskin, Marisa Katz, Clay Risen
ASSISTANT TO THE EDITOR
Alexander Barnes Dryer
ASSISTANT LITERARY EDITOR
Deborah Friedell
ASSISTANT POETRY EDITOR Melanie Rehak
REPORTER-RESEARCHERS
Ben Adler, Telis Demos, T. A. Frank, Keelin McDonell

PRESIDENT & PUBLISHER Stephanie Sandberg
GENERAL MANAGER Allen Chin
CIRCULATION DIRECTOR Lori Fleishman Dorr
ONLINE BUSINESS DIRECTOR Ari Gersen
ONLINE MARKETING MANAGER Emilie Harkin
BUSINESS ASSISTANT Marjorie Powers

ADVERTISING SALES & MARKETING
ASSOCIATE PUBLISHER Richard Parker
DIRECTOR OF ADVERTISING, WEST
Joan Stapleton Tooley
ACCOUNT DIRECTOR Julie Sturmak
PUBLISHING REPRESENTATIVE
Perry Janoski, Allston-Cherry, Ltd.
MARKETING MANAGER Alexandra Scott

TNR/ON SYMPOSIA ON PUBLIC POLICY
Joan Daly

FINANCE & ADMINISTRATION
ACCOUNTING MANAGER Jessie Ahn
ACCOUNTING ASSISTANT Vanessa Wilson
BUSINESS ASSISTANT Grant Loomis

BOARD OF DIRECTORS
ROGER HERTOG, Chairman
MARTIN PERETZ
MICHAEL STEINHARDT

THE NEW REPUBLIC
Updated daily. On the Web at www.tnr.com.

THE NEW REPUBLIC
A JOURNAL OF POLITICS AND THE ARTS

JUNE 20, 2005 WASHINGTON, D.C. ISSUE 4,718 VOLUME 232

Cover Story

John B. Judis **20** **Tammany Fall** Tom DeLay's former employees—now some of Washington's top lobbyists—have brought the House majority leader power rivaling that of Boss Tweed. Until now.

Michael Crowley **24** **Kinder Dispatch: Tribal Counsel** Indian casinos aren't just victims of Washington corruption; they're purveyors of it, too.

Franklin Foer **30** **Torah Cover** How two greedy rabbis spruced up the spiritual credentials of conservatives like Jack Abramoff.

Politics & the World

4 **CORRESPONDENCE**
Was John Paul II a champion of free will? &c.

Jonathan Cohn **6** **TRB** | **Health Inspection** Wal-Mart is not responsible for its employees' lousy medical coverage—the Republicans it gives money to are.

The Editors **7** **Joint Venture** The Supreme Court's deference to Congress's power in this week's medical marijuana case is reason to celebrate. The three dissents, however, are reason to fear.

8 **NOTEBOOK** How I solved the Deep Throat mystery, &c.

Clay Risen **10** **Stop Loss** The Bush administration has welcomed SEC Chairman Bill Donaldson's resignation as a return to business as usual—and that's exactly the problem.

Niall Ferguson **13** **Federalist Style**
Why the European Union will never be the United States.

Spencer Ackerman **14** **Patriot Games** Extending the Patriot Act won't bring about the civil rights violations libertarians have feared—unless the Bush administration gets its way.

Kara Baskin **50** **ACTON DIARIST** | **The Class of 9/10**

Books & the Arts

Stanley Kauffmann **34** **FILMS** | **Looking for Laughs** Jane Fonda loses her edge in *Monster-in-Law*; *Après Vous* is the best kind of farce.

Jackson Lears **35** **The Magicians of Money** *Every Man a Speculator: A History of Wall Street in American Life* by Steve Fraser

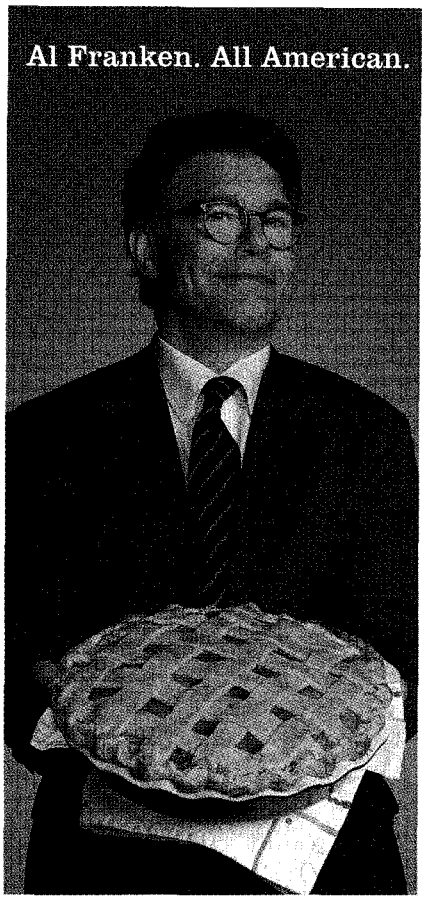
Ed Minus **40** **POEM** | *Pardee*

Jerome Groopman **45** **Medical Cultures** *Disease and Democracy: The Industrialized World Faces AIDS* by Peter Baldwin

Dan Halpern **47** **Tyrants and Gluttons** *The Banquet in Blitva* by Miroslav Krleža, translated by Edward Dennis Goy and Jasna Levinger-Goy

COVER BY *Drew Friedman and K. Bidus*; LETTERING BY *Phil Felix*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



Sundance Channel & Air America Radio present
AL THE SHOW FRANKEN
EVERY WEEKNIGHT. CHECK LOCAL LISTINGS.
sundance
CHANNEL
AVAILABLE ON DIGITAL CABLE
AND SATELLITE EVERYWHERE.
FROM THE STUDIOS OF AIR AMERICA RADIO IN NEW YORK CITY

CORRESPONDENCE

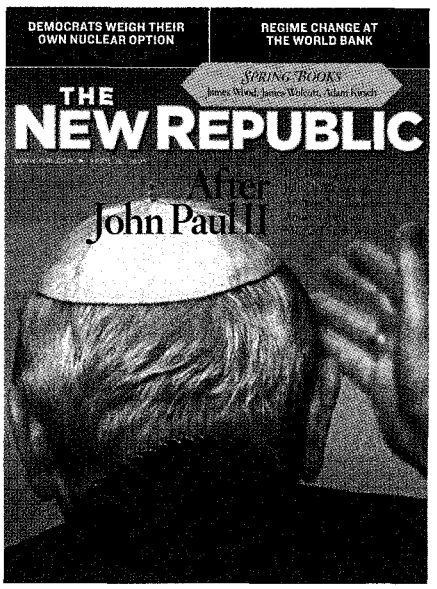
SUNK COST

I READ WITH AMAZEMENT ANDREW Nagorski's praise for the late Pope's "commitment to religious freedom, and to freedom of conscience in the broader sense" ("Look to Home," April 18). Nagorski writes that the Pope did not limit this commitment to Poland. But, tellingly, all of Nagorski's examples show a pontiff protecting his Church, his followers, and his dogma from secular authority, democratic or totalitarian. In that cause, this Pope caused people to suffer needlessly and against their will. For dissidents within his own Church, for women facing problem pregnancies, for gay people, and for anyone struggling with end-of-life issues, Pope John Paul II represented anything but "freedom of conscience in the broader sense."

DAVID SOBELSOHN
Washington, D.C.

HOLY SEE, HOLY DO

ANDREW SULLIVAN MAKES SOME interesting criticisms of John Paul II, but his judgment seems impaired by his anger at the sexual teachings of the Pope ("Superstar," April 18). Since most educated Catholics routinely ignore proscriptions against birth control, taking comfort in the primacy of conscience, and feel no need to withdraw from Communion, it can be deduced—particularly given his reference to the "deep psychosexual dysfunction" of the Church—that Sullivan wants more than the recognition of the moral propriety of conjugal love. Sullivan clarifies his perspective admirably by mentioning that he is gay. By establishing the relevancy of his experience, it seems reasonable to assume that he expects the Church leadership to construct a moral rationale for the expression of same-sex intimacy. Such a construct might be grounded in the belief that God makes nothing inherently bad. Therefore, the mental circuitry that informs us in matters of sexual preference is inherently


DEMOCRATS WEIGH THEIR OWN NUCLEAR OPTION
REGIME CHANGE AT THE WORLD BANK
SPRING BOOKS
THE NEW REPUBLIC
After John Paul II

good. We could deduce from this argument that same-sex activity between heterosexuals, a recreational deviation, would be a different matter. But would Sullivan agree? Might he believe that intimate sexual acts should be as routine, unregulated (spiritually), and uninhibited as, perhaps, shaking hands or good night kisses? Are the only standards "age of consent" and consensual participation? Beyond these standards, is there no legitimate moral authority to be exercised by the Church? I'm not confident that Sullivan would find one. I may not agree with every Pope, or with everything said by every Pope, but I prefer that they think and act like teachers. Didn't the disciples refer to Jesus as a teacher?

ROBERT SWEGLE
Bellevue, Washington

LINGUA PAPA

I WAS STRUCK BY THE FOLLOWING SENtences regarding an Italian idiomatic expression in Michael Sean Winters's article: "The Italians have a saying: There is no one as dead as a dead Pope. The next Pope may take up John Paul's writings or

THE NEW REPUBLIC (ISSN 0028-6583), Vol. 232, Number 23, Issue 4,716, June 20, 2005. (Printed in the United States on June 9, 2005.) Published weekly (except for combined issues dated March 28 & April 4, May 2 & 9, June 6 & 13, July 11 & 18, August 22 & 29, November 28 & December 5, and December 26, 2005 through January 9, 2006) at 1331 H Street, NW, Washington, D.C. 20005. Telephone (202) 508-4444. For advertising inquiries, please contact Grant Loomis at (202) 508-4444 or our NY sales office at (212) 465-8447. Yearly subscriptions, $79.97; foreign, $119.97 (U.S. funds); Canada, $99.97 (U.S. funds). Back issues, $8.00 domestic and $10.00 foreign/Canada (includes postage & handling). © 2005 by The New Republic, LLC. Periodicals postage paid at Washington, D.C., and additional mailing offices. Rights and permissions: fax (202) 628-9383. Indexed in Readers' Guide, Media Review Digest. For hard copy reprints, call (202) 508-4444. Microform, Canadian Periodical Index, and CD-ROM are available through ProQuest, 300 N. Zeeb Road, Ann Arbor, MI 48106. Telephone (800) 521-0600. Postmaster: Send changes of address to The New Republic, P.O. Box 420235, Palm Coast, FL 32142-0235. Member, Audit Bureau of Circulations. Unsolicited manuscripts can be returned only if accompanied by a self-addressed, stamped envelope (e-mail address: letters@tnr.com). For subscription inquiries or problems call **(800) 827-1289** or visit our website at www.thenewrepublic.com.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ignore them as he sees fit. After a 32-year reign ending in 1878, Pope Pius IX was succeeded by Leo XIII, who completely ignored most of Pius's policies. When Leo died in 1903, the cardinals elected Pius X, who in turn ignored Leo's policies" ("History Test," April 18). So I checked with an Italian friend, a professional translator, who claimed never to have heard anything similar and that "*non cé nessun morto come un Papa morto*" doesn't exist in their lexicon. The classic Italian saying Winters probably intended is: "*Morto un Papa, se ne fa un'altro*" (literally: "When one Pope dies, another one is made").

This is a very common saying. But the way it is used in daily colloquial speech is to indicate that no one is irreplaceable. You can find another mate, employee, or whatever fairly easily, almost automatically. "*Stare come un Papa*" ("to be in the same situation as the Pope") means that you're very content with your present situation, you're enjoying whatever it is you're doing to the max.

D. DANIELLE
Berkeley, California

SECOND GUESS

E.J. Dionne plays with out-of-context quotes from Cardinal Joseph Ratzinger to make it appear as if Benedict XVI will somehow undo the Second Vatican Council's reforms ("Benedictus," May 2 & 9). Ratzinger's criticism of what followed the Council is what is important to understand here, and he seemed to have no doubts (at least as a cardinal—in a rebroadcast interview shown on German TV that I saw recently) that the transformations recommended by the Council through its primary documents were good. Where he has doubts (and what intelligent person doesn't?) is in how these documents were taken and applied. More to the point, however: I cannot imagine how Dionne can have any doubts about Benedict XVI's willingness to engage in dialogue. Such a dialectical and dialogical—not to mention theological—mind has not sat on the throne in Rome for probably 100 years or more (with all due respect to the late John Paul II)! It is beyond me why Dionne finds it profitable to throw intelligent analysis out the window and take an all-or-nothing approach to Benedict's young papacy, suggesting that a mind like Ratzinger's could ever make such a simple mistake as equating the new with the bad and the old with the good. His technique is unworthy of even a popular treatment of this issue.

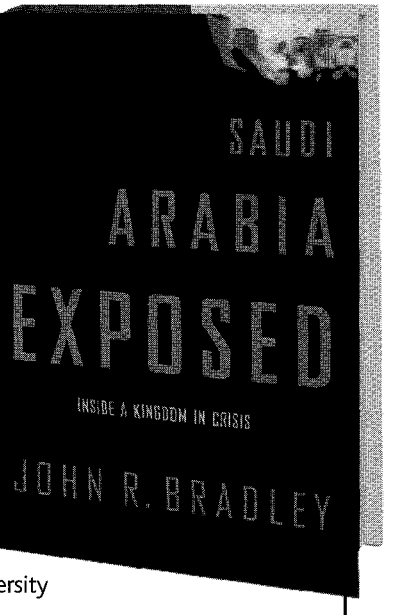
DANIEL P. O'CONNELL
Visiting Researcher
Institute for Cusanus-Research
University of Trier
Trier, Germany

COURT ORDER

Jonathan Cohn is wrong when he argues, "This is the same mistake Democrats have made over and over again ... in relying on courts to secure rights" ("Kill Phil," April 25). Many years ago, then–Minneapolis Mayor Hubert Humphrey told me and others after a court decision abolishing restrictive covenants, "Get the people by the balls, and their hearts and minds will surely follow." If it weren't for that decision, housing would still be segregated according to religion, skin color, and who knows what else. And similarly for the rest of the rights Cohn is so afraid are ahead of their time.

CHARLES KELBER
Rockville, Maryland

A revealing look inside the secretive Saudi Kingdom



"John R. Bradley is one of a rare breed among Saudi experts: He has no axes to grind. While Saudi bashers depict the kingdom as a bastion of fanaticism, Saudi apologists paint quaint pictures on the theme of 'tradition meets modernity.' This book, by contrast, introduces us to a complex world— exposing contradictions and anomalies that allow us to see the Saudis in three dimensions. This is a humane book, and a great contribution to our understanding."
—Michael Scott Doran, Princeton University

"This valuable book provides fascinating insights unavailable to most outsiders as pressures there build towards breaking point."
—Graham E. Fuller, author of *The Future of Political Islam* and former Vice-Chairman of the National Intelligence Council at the CIA

As the only Western journalist to have extensively worked in the Saudi Kingdom, John R. Bradley is uniquely able to expose the turmoil that is shaking the House of Saud to its foundations. From the heart of the secretive Islamic kingdom's urban centers to its most remote mountainous terrain, from the homes of royalty to the slums of its poorest inhabitants, he provides intimate details and reveals underlying regional, religious, and tribal rivalries. What are the implications for the Sauds and the West? This book offers a startling look at the present predicament and a troubling view of the future.

See John R. Bradley at POLITICS AND PROSE on June 27th at 7pm

palgrave macmillan

240 pp. / 1-4039-6433-5 / $22.95 cl.

AVAILABLE IN BOOKSTORES • www.palgrave-usa.com

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Health Inspection

TRB FROM ANN ARBOR

Poor Wal-Mart is feeling a little bit, well, picked upon. Sure, the company just generated $285 billion in sales and $10 billion in profits. And, yes, it is rapidly expanding into such far-flung places as China. But, here in the United States, Wal-Mart's growth plans have suddenly run into political opposition from labor unions and liberal politicians—who, according to the company, aren't being fair.

While critics have long attacked Wal-Mart for everything from destroying mom-and-pop stores to exploiting cheap foreign labor, the focus of the present controversy is health insurance. According to published figures, Wal-Mart insures less than half of its U.S. workforce. (Costco, considered by many to be Wal-Mart's nearest competitor, insures 96 percent.) What's more, the coverage that Wal-Mart does offer frequently includes large deductibles that leave employees exposed to heavy out-of-pocket costs. Labor activists and their allies say that such a profitable company owes its workers more than that. Last month, the Maryland state assembly signaled its agreement by passing a bill that would have required Wal-Mart either to spend more on employee health benefits or pay an equivalent amount in taxes to help underwrite the state Medicaid program, on which many Wal-Mart employees rely.

Governor Robert Ehrlich ultimately vetoed that bill. But the state assembly may yet override the veto, and at least ten states have considered similar bills, according to *The New York Times*. So, this week, while shareholders at Wal-Mart's annual meeting in Arkansas were feted by the likes of Will Smith, Jon Bon Jovi, and Garth Brooks, company officials started complaining that they had become scapegoats for the nation's failing health insurance system. "The health care issue is much broader than Wal-Mart," said Susan Chambers, a company vice president. "Maliciously targeting one company doesn't address this issue. It doesn't provide one person with insurance or take one person off the list of America's uninsured. It doesn't offer solutions."

In one sense, that statement is correct: The problems of the U.S. health care system really are a lot bigger than one company and require much broader solutions. Unfortunately, companies like Wal-Mart have historically obstructed those solutions. And they're still doing so today.

To understand why, you need to understand how American workers came to depend on companies like Wal-Mart for health benefits in the first place. In most of the Western, developed world, governments organize health insurance—guaranteeing coverage as a right of citizenship, mandating minimum benefits, and financing care, primarily through taxes. But efforts to bring universal health care to this country have always run up against opposition from the business community, which opposed government interference in the private sector. To corporate America, the only acceptable way to ease public access to health care was private health insurance, which it embraced starting in the 1930s. Afterward, as scholars like Jacob S. Hacker have noted, business sought to cement the link between insurance and employment—partly to evade the wage controls of World War II and partly to undercut union organizing efforts.

But, in the last two decades or so, as medical costs have skyrocketed, unions have atrophied, and the pressure to squeeze labor costs has intensified, employers have been rethinking the commitment to employee benefits. Many companies engineered (or reengineered) their workforces so that fewer employees were eligible for coverage; others ratcheted back coverage, transferring more costs to employees. All of this has made Wal-Mart a model other companies emulate—if not out of admiration, then out of perceived necessity. The impetus for the 2003 strike by California grocery workers, for example, was employer pressure to cut health benefits in order to lower prices because Wal-Mart was coming to town.

The campaign to mandate that Wal-Mart spend more money on health insurance represents an effort to turn back the clock, so that workers can once again depend on employers for more affordable and comprehensive coverage. It's not an outlandish idea, given that we already have all manner of rules governing the way employers treat their workers, from the minimum wage to workplace safety regulations. (Naturally, it would make more sense if the regulations applied to all companies, rather than simply Wal-Mart.)

But this notion also assumes that the employer system is really worth keeping—which may not be the case. The system made a lot more sense back in the 1950s, when a breadwinner might spend decades or a whole lifetime at one full-time job. That's not true anymore. Besides, the employer system adds all sorts of perverse economic incentives to health insurance, such as artificially insulating workers from the true cost of medical care. That's one reason some unionized retirees have been running up huge health care bills, crippling the auto industry and other large manufacturing companies.

The catch is that gutting the employer system requires a whole different set of reforms. It is extraordinarily difficult for somebody with previous medical conditions or a relatively low income to buy private health insurance today. If employers don't provide these people access to coverage, then the only realistic way to avoid leaving them without coverage would be to construct a government-run system with some combination of regulation (so that people with serious medical conditions can find insurance coverage) and taxes (so that people with lower incomes can have their coverage subsidized). This is precisely the kind of system that the business community and their conservative allies in the Republican Party have always fought.

And they're still fighting. In the last election cycle, 80 percent of the donations from Wal-Mart's political action committee and individuals associated with the company went to Republicans, whose opposition to anything resembling universal health care is well-known. While Wal-Mart itself has not taken an official position on national health insurance, it's not hard to guess what the company would think about it. Suffice to say you won't hear Wal-Mart championing France's universal health care system. Wal-Mart is entitled to its opinion, of course. But, as long as it blocks real health care reform, then it deserves every bit of grief it's getting.

JONATHAN COHN

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Joint Venture

THIS WEEK, IN the most important federalism decision of the year, the Supreme Court upheld Congress's power to ban the local cultivation and use of medical marijuana. Although the federal policy at issue may be open to question—we think Congress should reconsider its ban on the attempt by California and ten other states to allow medical marijuana in limited circumstances—the Supreme Court's deference to Congress's broad power to regulate the economy is an occasion to celebrate. Had the Court ruled otherwise, as a group of libertarian judicial activists urged, it would have encouraged a radical assault on Congress's power to regulate a host of issues, including crime and workplace safety. But the news was not all good: An unusual coalition of three justices—Sandra Day O'Connor, William Rehnquist, and Clarence Thomas—dissented from the ruling, suggesting that anti-regulatory forces on the Court remain strong.

The 6–3 majority opinion in *Gonzales* v. *Raich* by Justice John Paul Stevens was an uncontroversial application of Supreme Court decisions that have been settled since the New Deal. In 1942, the Court upheld Congress's power to regulate wheat grown for personal consumption, on the theory that locally consumed wheat might reduce demand for wheat that crossed state lines. By the same logic, Stevens held for the majority, Congress could prohibit the use of marijuana grown for personal medical use, since it, too, might have a substantial effect on the national market for recreational pot.

In a welcome development, the majority included Justices Antonin Scalia and Anthony Kennedy, two leaders of the so-called federalism revolution on the Rehnquist Court. In other cases, which this magazine has criticized, Scalia and Kennedy have voted to strike down congressional regulation of guns in schools and violence against women. But Scalia reasoned that those cases could be distinguished from the regulation of marijuana because they did not involve economic activity. Scalia's willingness to uphold Congress's broad power to regulate the national economy shows him at his best: a traditional conservative defender of judicial restraint, who is willing to respect precedents with which he disagrees.

Unfortunately, three other champions of states' rights—O'Connor, Rehnquist, and Thomas—endorsed a reckless judicial activism. In her dissenting opinion, O'Connor's contempt for Congress converged with her devotion to states' rights: She said that Congress could not regulate medical marijuana unless it made detailed findings that the regulation was essential to the enforcement of national drug laws. But, as Stevens pointed out, it's not the job of the Court to flyspeck what are quintessentially policy judgments; instead, the Court should uphold Congress's regulations as long as a reasonable person might conclude that they would affect interstate commerce.

The most radical dissenting opinion was written by Thomas. Thomas has proved to be the most reliable ally of the movement to resurrect what some conservatives call the Constitution in Exile, referring to limitations on federal power that have been dormant since the New Deal. In his dissent, Thomas said that courts should take it upon themselves to decide whether congressional regulations are "appropriate" and "plainly adapted" to executing powers explicitly listed in Constitution. Thomas's logic would uproot more than a century of Supreme Court cases, including the 1942 wheat case, and could paralyze the government's effort to enforce myriad regulations, including environmental and labor laws. As Stevens pointed out, Thomas's reasoning would also call into question Congress's power to regulate the possession and use of pot for recreational purposes, an activity that all states now prohibit.

Happily, the Constitution in Exile movement has had a rocky few weeks before the Supreme Court. On May 23, in *Lingle* v. *Chevron*, O'Connor, writing for a unanimous Court, rejected the libertarian claim that a Hawaii commercial rent-control law violated the Fifth Amendment's protections for private property. But the fact that O'Connor, Rehnquist, and Thomas remain committed to aggressive judicial oversight of Congress's power to regulate the economy suggests that conservative judicial activism is not defeated; it still has powerful allies. Which is why the views of Supreme Court nominees about the Constitution in Exile should be a central question in the confirmation battles to come. ■

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

NOTEBOOK

DEEP THROAT, SOURCE OF DEBATE . . . ALI SALEM, STUCK AT THE GATE

DEEP-THROATED THOUGHTS

LAST WEEK'S REVELATION THAT former FBI official W. Mark Felt is Deep Throat set off a predictable debate over the propriety of Felt's leaking. One of the more unexpected condemnations of Felt in this hero-or-villain controversy (which, by the way, remains fascinating—any heavy-lidded sensation is surely due to Rohypnol) came from Peggy Noonan, who, writing in *The Wall Street Journal*, managed to blame Felt for the genocide in Cambodia. Here is Noonan's reasoning:

> What Mr. Felt helped produce was a weakened president who was a serious president at a serious time. Nixon's ruin led to a cascade of catastrophic events—the crude and humiliating abandonment of Vietnam and the Vietnamese, the rise of a monster named Pol Pot, and millions—millions—killed in his genocide. . . . Is it terrible when an American president lies and surrounds himself by dirty tricksters? Yes, it is. How about the butchering of children in the South China Sea. Is that worse? Yes. Infinitely, unforgettably and forever.

Some might point out that one could take another step back and say that breaking into the headquarters of a seriously trailing political rival might also have been rash, since it led to a criminal investigation, which in turn led to the truth coming out, which, as Noonan demonstrates, allowed Mark Felt to lay waste to much of Southeast Asia.

But was Felt as bad as Peggy Noonan? After all, Noonan's speechwriting helped Reagan to remain powerful as president. This got him elected to a second term, during which time he provided aid to the minority Tutsi government in Burundi, which stoked ethnic tensions in the region, which eventually culminated in the Rwandan genocide. Is it terrible when a president like Jimmy Carter causes stagflation? Yes, it is. But is Rwanda worse? Yes, infinitely, unforgettably, and forever.

W. Mark Felt

Of course, some critics might accuse us of idiotic reasoning. But not Peggy Noonan—we know she'd understand.

CULTURE OF ~~LIES~~ EXCELLENCE

THE *NEW YORK TIMES* REPORT THAT former ~~oil lobbyist~~ energy expert and current Bush administration ~~apparatchik~~ official Philip A. Cooney repeatedly stepped in to ~~tamper with~~ edit government climate reports to ~~water down~~ clarify their findings does not really surprise us. That doesn't make it any less ~~outrageous~~ commendable, of course. It is the latest instance of a White House that routinely ~~oversteps its authority and politicizes~~ draws attention to scientific findings.

For instance, in a passage that read "the role for CCRI [Climate Change Research Initiative] is to facilitate full use of this scientific information in policy and decision making on response strategies," Cooney ~~saw fit to sneak in~~ wisely chose to insert, before the word "facilitate," the ~~mendacious~~ sensible phrase "reduce the significant and remaining uncertainties associated with human-induced climate change."

Nevertheless, we feel comfortable discounting rumors that Cooney ~~has been breaking into magazine offices and altering any coverage related to his story~~ is an odds-on favorite for the presidency in 2008. As ~~unethical as the behavior of~~ impressive as the Bush administration has been, there are still some ~~vague limits to the debasement of its operatives~~ challenges ahead for Cooney in establishing his name nationally. Let's hope ~~they hold~~ he succeeds.

BORDER PATROL

IT HAS BEEN MORE THAN 26 YEARS since Menachem Begin and Anwar Sadat stood on the White House portico to sign the Israeli-Egyptian peace treaty that Jimmy Carter brokered at Camp David. The accord was greeted with euphoria in the United States and in Israel. The Steadfastness Front of virtually every Arab state reviled it. Egypt swallowed the exchange of ambassadors that the agreement required, took the territory that Israel vacated, pocketed the cash accompanying the flood of Jewish tourism from both the Jewish state and the diaspora—and then left the peace at best stiff and cold. Meanwhile, the U.S. government has deposited over $2 billion annually into Cairo's account, another kind of peace dividend, thus giving some stability to an otherwise rickety social structure, utterly backward economic arrangements, and a political regime that one might kindly call mildly tyrannical.

The Egyptian military is the most accommodated to peace with Israel: It does not want its air force and tank divisions destroyed for the fifth time. And Egyptian culture—its journalists,

DAVID COWLES

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

intellectuals, academics, writers, and artists—is least accommodated to it, with the exception of the great writer Naguib Mahfouz, who, though very old, was stabbed on the street by jingoist thugs who will not give up on the war with the Jews. And around the great exception have stood other brave men and women, one of whom is Ali Salem, a playwright and satirist whose writings are known far beyond Egypt. But not only are his writings known: He is also admired for speaking up for a real peace with Israel that genuinely normalizes the relations between the peoples of the two states. In recognition of his efforts, the Ben Gurion University of the Negev, in Beersheba, wanted to bestow an honorary doctorate on Ali Salem at its commencement festivities last week. (The university had already honored Sadat on its campus and, in 1995, draped its hood over the shoulders of the Egyptian ambassador.)

So Ali Salem tried to traverse the border at the Taba crossing, and, after two days, he was turned back by Egyptian frontier police. Then he went to the Cairo airport, where he was not allowed to board the scheduled plane bound for Tel Aviv. As Zvi Barel wrote in *Haaretz*, "Someone really did not want him to get to Israel that day." For years, Egyptian forces have turned a blind eye to the smuggling of arms from their territory to terrorists in Gaza. But, when it comes to a man of peace, they know quite well how to close their borders.

THE SWEET SMELL OF SUCCESS

A CRACK RESEARCH TEAM LED BY scientists from the University of Zurich has found that inhaling the hormone oxytocin, which occurs naturally in the brain, increases subjects' willingness to "entrust others with large sums of money," according to a report in the June 2 *Washington Post*. Incidentally, we encourage readers to sniff this page and then turn to the bottom of page 33.

DEPARTMENT OF CORRECTIONS

BECAUSE OF AN EDITING ERROR, A sentence in "Consequences" by Martin Peretz (May 30) incorrectly implied that fewer than 17 people had died in the U.S.-run detention camps at Guantánamo Bay and Abu Ghraib. A series of mortar attacks has killed at least 27 detainees at Abu Ghraib. We regret the error. ■

MY HUNCH, MY BURDEN

"A long time ago I wrote a magazine piece about how Bob Woodward's famous source, 'Deep Throat,' could have been a mere Secret Service technician. ... I showed the piece to Woodward, who would not say whether it was right or wrong, just that it made sense. We both knew, though, that 'Deep Throat' was Mark Felt." —Richard Cohen, THE WASHINGTON POST, June 1, 2005

IT WAS THE fall of 1960 when I first realized Mark Felt was Deep Throat. That's technically impossible, since there wasn't yet a Deep Throat back then. Or even a Nixon administration. But I could sense from the Nixon-Kennedy debates that Nixon would one day be elected president, engage in colossal acts of corruption, then alienate the FBI, which would turn against him in a fit of bureaucratic pique. That the critical FBI leaker would be Mark Felt was self-evident: Felt had prematurely graying hair and bore a passing resemblance to Hal Holbrook, who, I reasoned—and "reasoned" actually overstates it, given how obvious it was—would be the only logical choice to play Felt in a movie about the young reporting duo that broke the story. (Full disclosure: I mistakenly predicted Jon Voight would play Woodward, reprising the chemistry he and Dustin Hoffman shared in *Midnight Cowboy*. How I overlooked Robert Redford has provoked much soul-searching and is still not entirely clear to me.)

As the years passed, the evidence supporting my casual hunch began to mount. First, President Nixon resigned amid scandal. Second, my cousin Maggie, while working at a private club in New Haven, had a momentous encounter with Carl Bernstein. Happy Endings—regrettably, no longer in business—was that rare place where Bernstein would let down his guard. I don't know why exactly he trusted Maggie, but, on several occasions, he shouted his terrible secret to her: "Felt!" He called it their "safe word."

Finally, I asked Woodward directly. He dodged the question—I think his exact words were, "How did you get into my bedroom?!" The very thought of revealing his secret had apparently sent him into a blind rage. Woodward kicked me several times in the solar plexus and dragged me out his front door. As groggy as I was when I came to, I'll never forget the phrase he shouted before the final blow: "Mother F*****." *M.F.* Hello?

Still, like everyone else, I occasionally wavered. Due to some poorly worded passages in a book I once wrote, some associated me with the case for Diane Sawyer. (Sadly, *Case Closed: Diane Sawyer was Deep Throat*, is now out of print.) Betty Ford once told me she was Deep Throat over a bottle of Wild Turkey. I half believed her. There was a brief period in the early '80s, while I was covering President Reagan's illegal war in Central America, when I flirted with the idea that Deep Throat was Francisco, Checkers's Salvadoran valet. But Felt was always my man.

In retrospect, what makes my achievement so remarkable isn't just that I was right. It was the way I was right: smug, self-assured, contemptuous of those who couldn't see the glorious truth staring them in the face. I began refusing invitations to parties because I couldn't stand being around people who lacked my powers of deduction. I arranged to have a journalist friend fired after he second-guessed me. At times, I would approach small children on playgrounds and taunt them about how I knew who Deep Throat was and they didn't. Well I did, didn't I, you sniggering little brats?

Now that I've been vindicated, I'm left with a vague, almost haunting, sense of emptiness. "It's like having tried to protect something precious for all these years that you carry around, and, for the first time, it's not there to protect in your pocket anymore," Bernstein recently said. "It's a very strange feeling." Strange, yes. But, sometimes, strangeness is the price we brave few must pay.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Out with Donaldson, in with Cox.

Stop Loss

BY CLAY RISEN

SECURITIES AND EXCHANGE Commission (SEC) Chairman Bill Donaldson was a Marine platoon commander in the Korean War, and he played the good soldier throughout his illustrious business career—right up to his resignation press conference last week. Asked by reporters to comment on pressure from the business lobby for his removal, the reform-minded chairman demurred: "When you talk about the business community, I really don't know who you're talking about."

But even the famously tight-lipped Donaldson couldn't keep up the act. After denying conflicts with his more conservative GOP counterparts on the Commission, he admitted that they had, at times, "violently disagreed." One comment in particular brought into sharp relief the sad disparity between the Rockefeller Republican tasked with cleaning up corporate America and the forces that ultimately pushed him out. "I would have thought," he said with a slight wistfulness in his voice, "that most business organizations would get behind the positive changes that we've put forth and get behind investor-friendly regulation."

Donaldson's resignation wasn't the only surprise of the day. A few hours after his press conference, word leaked that President Bush had already selected and vetted California Representative Chris Cox, a former Reagan staffer and a well-known deregulation advocate, as the new chairman. Predictably, what has been taken as a double-dose of bad news by investor advocates has been cause for cork-popping at places like the U.S. Chamber of Commerce and the American Enterprise Institute. "OUT WITH THE ROCKEFELLER REPUBLICAN, IN WITH THE REAGAN REVOLUTIONARY," was how the website *TechCentralStation* headlined a column by conservative law professor Stephen Bainbridge.

When the wave of business scandals hit in 2002, Bush promised reform, and Bill Donaldson delivered. Big business played along, but, as corporate malfeasance fell from the headlines, it demanded payback: a return to business as usual at the SEC. Donaldson's resignation was just what it was looking for. But, while the administration might be relieved at Donaldson's departure, Bush may want to pause before joining his friends on K Street in their champagne celebration. That's because another corporate scandal could make Bush wish Donaldson were still around.

INVESTOR ADVOCATES WERE initially dismayed over Donaldson's selection in December 2002, assuming it to be the last scene in the Washington corporate reform passion play. Instead, it set the stage for a whole new act, in which Donaldson used the momentum provided by Sarbanes-Oxley—a law that enacted sweeping changes to accounting and corporate governance standards—to push through a raft of regulations in a wide swath of financial sectors. He also ramped up the SEC's enforcement efforts and oversaw a staff increase of nearly 800 people and a budget increase of some $500 million. Along with Stephen Cutler, his tireless director of enforcement (who left the Commission in May), he exacted some $6 billion from corporate wrongdoers. What was once a reactive regulatory backwater that served largely as a training ground for future corporate counsels turned into one of the premier enforcement agencies in the federal government overnight—as evidenced by the precipitous decline in staff turnover, from 8 percent to 1.5 percent, between the 2001 and 2003 fiscal years.

But success has its price. Corporate lobbyists and their lackeys didn't just disagree with Donaldson's agenda—in their eyes, he was a traitor. Writing in an October 2004 syndicated column, James K. Glassman called him "a disappointment" and a "mistake," whose "policies reflect the views of a hard-line Democrat" and "threaten the nation's economic health." Glassman was not alone—through op-eds, whisper campaigns, and planted stories, lobbyists tried to get Donaldson on the list of presidential appointees to be axed in Bush's second term. According to *National Journal*, they even set up a coalition of companies and trade groups to lobby for checks on the SEC's power. But Bush, whose uncle roomed with Donaldson at Yale, was quick to squelch any discussion of Donaldson's departure. And it wasn't just a matter of family ties. "He restored their prestige when [Donaldson's predecessor] Harvey Pitt had embarrassed them," says John Coffee, an expert on the SEC at Columbia Law School. "In a few months, he'd turned around the institution and restored its fallen morale."

Unable to win a frontal assault on Donaldson, the business lobby tried a different tack. First, it found a natural ally in Republican SEC Commissioner Paul Atkins, a former PriceWaterhouseCoopers lawyer who believes that New Deal regulations worsened, rather than ameliorated, the Great Depression. Over the past year, Atkins grew increasingly vocal in his criticism of Donaldson, going so far as to attack Commission decisions after their passage. Speaking before the Bond Market Association in February, he accused "three of my colleagues" of relying on "perceived or anecdotal" evidence to support new hedge-fund rules. *BusinessWeek* even dubbed him "Dr. No" for his numerous dissenting votes. "One gets the sense at times that Paul Atkins really wants to throw sand in the wheels, and that's not healthy," says one SEC insider.

By late 2004, Atkins had established himself as a counterweight to Donaldson and a vocal advocate for reversing the reform agenda within the Commission. According to one former SEC staffer, "Atkins was very visible inside the agency; he easily interacted with division directors and staff outside of the typical Commission meetings, and he frequented other Commission events. He had been to the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

We'd all be English majors if we'd had Professor Arnold Weinstein

Claim your ownership of this priceless knowledge—in a monumental 84-lecture series on the Classics of American Literature

Remember that teacher who could make a book come alive? Who could lead you like a tour guide down the streets and alleys of a novel, showing you places and incidents that you never dreamed existed?

Professor Arnold Weinstein of Brown University is that teacher, and in this course he takes you on a spellbinding expedition through 84 lectures on the most brilliant works by our nation's authors, from Benjamin Franklin's *Autobiography* to Toni Morrison's *Beloved*, written over 200 years later.

Dr. Weinstein (Ph.D., Harvard University) is the Edna and Richard Salomon Distinguished Professor at Brown, where he has taught to packed classrooms since 1968. An accomplished author, he was recently voted Brown's Best Teacher in the Humanities. Brown's Student Course Evaluations, summarizing end-of-year surveys, reported: "By far, students' greatest lament was that they only got to listen to Professor Weinstein once a week."

You will explore works by Emerson, Thoreau, Poe, Hawthorne, Melville, Whitman, Dickinson, Twain, James, Hemingway, Fitzgerald, Faulkner, Eliot, O'Neill, and others. All are great writers. But do you know why they are great? Dr. Weinstein gives you ample evidence by bringing out the beauty of their language, the excitement of their stories, and the sheer importance of what they had to say about life, power, love, adventure, and what it means, in every sense, to be American.

Perhaps you recall Melville's prowling Ahab, on the search for Moby Dick, and the power of that "grand, ungodly, Godlike man"; or the quiet diner in *The Grapes of Wrath* and the pain of one of John Steinbeck's "Okies" trying to purchase a dime's worth of bread; or the parlor in *Long Day's Journey Into Night* and the lifetime of tension that Eugene O'Neill puts into a request that a father simply turn on the lights.

Everyone knows that Rip Van Winkle fell asleep for 20 years for some mysterious reason—but what exactly was it? And why did Emerson believe in "self-reliance," and why do we?

These 84 carefully crafted lectures are your royal road to recapturing a major part of the American experience, and reconnecting with our intellectual and cultural heritage. Just review the Course Curriculum. All this can be yours, with the journey as rewarding as the arrival.

About The Teaching Company

We review hundreds of top-rated professors from America's best colleges and universities each year. From this extraordinary group, we choose only those rated highest by panels of our customers. Fewer than 10% of these world-class scholar-teachers are selected to make The Great Courses. We've been doing this since 1990, producing more than 2,000 hours of material in modern and ancient history, philosophy, literature, fine arts, the sciences, and mathematics for intelligent, engaged, adult lifelong learners. If a course is ever less than completely satisfying, you may exchange it for another or we will refund your money promptly.

About Our Sale Price Policy

Why is the sale price for this course so much lower than its standard price? Every course we make goes on sale at least once a year. Producing large quantities of only the sale courses keeps costs down and allows us to pass the savings on to you. This approach also enables us to fill your order immediately: 99% of all orders placed by 2:00 p.m. eastern time ship that same day. Order before June 30, 2005 to receive these savings.

The Course Curriculum

Part I covers Benjamin Franklin's *Autobiography,* Washington Irving, Ralph Waldo Emerson, Henry David Thoreau's *Walden,* and Edgar Allan Poe.

Part II covers Nathaniel Hawthorne's *The Scarlet Letter,* Herman Melville, and the work of Walt Whitman.

Part III continues with Whitman, Harriet Beecher Stowe, and the poetry of Emily Dickinson.

Part IV covers works by Mark Twain, Henry James, Stephen Crane, and Charlotte Perkins Gilman.

Part V continues with Gilman, then covers Robert Frost, T. S. Eliot, F. Scott Fitzgerald's *The Great Gatsby,* and Ernest Hemingway's *The Sun Also Rises.*

Part VI covers Hemingway's *The Garden of Eden,* and selected works by William Faulkner, John Steinbeck, and Ralph Ellison.

Part VII continues with Ellison, then covers plays by Eugene O'Neill, Tennessee Williams, and Arthur Miller, and concludes with Toni Morrison's *Beloved.*

THE TEACHING COMPANY®
The Joy of Lifelong Learning Every Day™
GREAT PROFESSORS, GREAT COURSES, GREAT VALUE GUARANTEED.™

SAVE UP TO $550!
OFFER GOOD UNTIL JUNE 30, 2005

1-800-TEACH-12 (1-800-832-2412)
Fax: 703-378-3819

Special offer is available online at
www.TEACH12.com/8nrep

The Great Courses®
THE TEACHING COMPANY®
4151 Lafayette Center Drive, Suite 100
Chantilly, VA 20151-1232

Priority Code 18938

Please send me **Classics of American Literature**, which consists of 84 half-hour lectures, with complete lecture outlines.

- ❑ **DVD $199.95** (std. price $749.95) **SAVE $550!** plus $25 shipping, handling, and lifetime satisfaction guarantee.
- ❑ **Audio CD $144.95** (std. price $539.95) **SAVE $395!** plus $20 shipping, handling, and lifetime satisfaction guarantee.
- ❑ **Audiotape $109.95** (std. price $399.95) **SAVE $290!** plus $20 shipping, handling, and lifetime satisfaction guarantee.
- ❑ **Check or Money Order enclosed**

* Non-U.S. Orders: Additional shipping charges apply. Call or visit the FAQ page at our website for details.
**Virginia residents please add 5% sales tax.

Charge my credit card:

❑ VISA ❑ MasterCard ❑ Discover ❑ American Express

ACCOUNT NUMBER EXP. DATE

SIGNATURE

NAME (PLEASE PRINT)

MAILING ADDRESS

CITY/STATE/ZIP

PHONE *(If we have questions regarding your order—required for international orders)*

❑ **FREE CATALOG.** Please send me a free copy of your current catalog (no purchase necessary).

Special offer is available online at www.TEACH12.com/8nrep
Offer Good Through: June 30, 2005

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

White House, apparently to complain about the policy direction taken by Mr. Donaldson. Outside the agency, Commissioner Atkins was also very visible, representing the Commission at the U.S. Chamber of Commerce, for example." While no one accuses Atkins of overt collusion with business groups, the close confluence of their interests made him a key proxy in their fight against Donaldson. (In a phone interview, Atkins denied trying to undermine Donaldson's credibility as chairman.)

Then, in late 2004 came fortuitous news for the business lobby: Democratic Commissioner Harvey Goldschmid announced that he would leave the SEC over the summer to return to Columbia Law School. Goldschmid and the other Democratic commissioner, Roel Campos, had provided Donaldson the support he needed to push through a controversial series of reforms. By law, Bush cannot replace him with a Republican, and, traditionally, the president has deferred to the opposition party when selecting minority commissioners. But, while Democrats have already put forward a replacement for Goldschmid—the SEC's head of market regulation, Annette Nazareth—Bush is not bound to accept the nomination. In fact, he doesn't have to pick anyone at all; in the past, the SEC has operated with as few as two commissioners. So, beginning a few months ago, the Chamber of Commerce and other business lobbyists began pressuring the White House to hold off on replacing Goldschmid. Without his vote, the Commission would split 2–2 on controversial decisions, effectively halting Donaldson's reform agenda. At that point, "The president didn't have to ask Mr. Donaldson to resign," says Mark K. Braswell, a Washington lawyer and former SEC enforcement official. "If you're Donaldson, you have two choices: You change course on your agenda to avoid a 2–2 deadlock, or you walk." Not surprisingly, Donaldson chose the latter.

FEW REPUBLICANS COULD offer as strong a contrast to Donaldson as Cox. Donaldson is the product of Northeast WASP conservatism; Cox is the political scion of Orange County Goldwaterism. Where Donaldson looked to expand shareholder protection at the SEC, Cox—an ardent libertarian who favorably reviewed the *Letters of Ayn Rand* for *The New York Times*—was the author of one of the most draconian anti-investor bills in recent decades, the Private Securities Litigation Reform Act (Cox's version ultimately lost out to a more lenient Senate draft). Cox has also fought against stock-option expensing, a pet issue for Donaldson, as well as stronger accounting rules on mergers and acquisitions. Thus, observers say, Bush's selection of Cox (whose nomination prospects, Democrats assert, will hinge partly on whether the president also puts forth Nazareth, which he has yet to do) sends a clear message that the president wants to see some measure of regulatory rollback. "Put it this way," says Joel Seligman, dean of the Washington University School of Law and an expert on SEC history, "the president had a choice. He could have sought a figure who is viewed as a consensus builder, someone well-known on Wall Street, an outstanding securities lawyer. Or he could have sought someone likely to pursue an aggressive agenda, someone to appease some of the voices in the Chamber of Commerce. Clearly he took the latter."

But Bush's decision could very easily—and very quickly—come back to hurt him and his party. This is particularly true if, as is expected, Cox pursues an aggressive agenda. It's difficult to say where, exactly, Cox would seek to roll back Donaldson's reforms, but observers expect that he will revisit some controversial measures—hedge-fund registration, for example—as well as look into ways to soften the internal control requirements of Sarbanes-Oxley, something for which the business lobby has aggressively pushed. But the most significant change will come in enforcement. "Over the last couple of years, partly in response to New York Attorney General Eliot Spitzer, the SEC has been imposing high penalties," says Coffee. "That's something the business community doesn't like. They're not going to say publicly that they won't be tough anymore, but we may not see the same number of penalties."

Some worry that merely the impression of a rollback could lead to an increased incidence of fraud. "If you send the message to business that you're calling off the dogs, that it's back to the good old days, you risk seeing a resurgence of the conduct that all these regulations were adopted to address," says Barbara Roper, director of investor protection at the Consumer Federation of America. On Donaldson's watch, Bush could rest easy knowing that, when the mutual fund scandal or the American International Group investigation broke, he had Donaldson to absorb any flak—including calls for further regulation. "The fact that Donaldson had a credible regulatory reform agenda left Democrats with no effective message about the Bush presidency being weak on investor protection or corporate crime," Roper adds. "He really did insulate the administration against that criticism."

Without Donaldson, though, Bush is defenseless. "The concern the White House and Cox should have is that, if you reduce the anti-fraud, deterrent thrust of the SEC, and then see a renewal of the shenanigans you saw with Enron and WorldCom, then it will be viewed as the failure of the SEC," says Seligman. Another securities scandal could also do great harm to Bush's second-term agenda, which looks to promote an individual investment through private Social Security accounts and tax breaks. "This guy is running on public trust and the privatization of Social Security, and a securities market that turned into the Wild West would be a disaster," notes one SEC insider.

Indeed, it would be a tremendous irony if the business lobby's efforts to roll back the Donaldson era led ultimately to an even greater wave of regulation a year from now. But, for the short term, at least, big business has won the day. "At best, it's a success for the business lobby," the SEC insider adds. "At worst, it's an enormous success for them, and a disaster for the nation and shareholders." ■

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Europeans v. Europe. Federalist Style

BY NIALL FERGUSON

LONDON, ENGLAND

A YEAR AGO, THERE would have been few takers for a bet that the French and the Dutch would reject the new European constitution. After all, France and the Netherlands were among the founders of the European Union. The desirability of "ever-closer union" has long been an article of faith in both countries, at least among their political elites—something I was reminded of a month ago when, during a class at Harvard, I predicted a French "Non." My French students indignantly contradicted me, insisting that the "Oui" campaign would prevail.

And yet, the constitution failed in both countries by clear majorities, leaving political elites shell-shocked. In the days following the referenda, analysts have argued that French and Dutch voters were not really rejecting the constitution itself. Instead, voters were supposedly registering protests on domestic economic issues—such as inflation and unemployment—or expressing worries about how European enlargement would affect them. The Dutch, for example, fear that the decision to begin accession talks with Turkey could increase the illiberal influence of Islam in Europe—already quite strong enough in the eyes of the secularized Dutch, as a result of immigration.

But these explanations are not entirely convincing. Europe had similar economic problems in the 1970s and 1980s, with worse unemployment and inflation. And, at that time, enlargement was also scarcely uncontroversial, since it involved admitting the ex-dictatorships of the Mediterranean—Greece, Spain, and Portugal. Yet voters in the six founding members of what was then the European Economic Community did not lose faith. They gave their backing to measures like the Single European Act and the Economic and Monetary Union, both of which implied changes just as radical as those implied by the new constitution.

No, the French and Dutch decisions cannot be dismissed as mere protest votes. Something more profound is happening. Europe is not ready for a truly federal constitution, which is the reason why the European Union could never become a real United States of Europe.

THE NEW CONSTITUTION, to be sure, was not explicitly designed to create a United States of Europe. Federalist language was deliberately avoided throughout the text, for fear of upsetting not only the British but also the anti-federal Danes. "Reflecting the will of the citizens and States of Europe to build a common future," begins Article I-1, "this Constitution establishes the European Union, on which the Member States confer competences to attain objectives they have in common. The Union shall coordinate the policies by which the Member States aim to achieve these objectives, and shall exercise on a Community basis the competences they confer on it." "We the people" it ain't.

Nevertheless, the intended effect of the constitution was to make the European Union's existing institutions work in a more federal way by widening and streamlining their operation. The European Union already has many of the attributes of the United States. It has a Presidency, a Senate (the Council of Ministers), a House of Representatives (the parliament), and a Supreme Court. And, while the European Union is far from having a common foreign policy, as the Iraq war made clear, the new constitution attempted to address this deficiency. Article I-16 states unequivocally: "The Union's competence in matters of common foreign and security policy shall cover all areas of foreign policy and all questions relating to the Union's security, including the progressive framing of a common defence policy that might lead to a common defence."

Yet, as students of early U.S. history know, the biggest difficulties for the Framers of the U.S. Constitution arose from the differences in economic structure and size of the member states. This provides the key to understanding why the European constitution has foundered. As in the U.S. case, there are two different kinds of labor markets within the European Union. Just as some U.S. states had slavery and some did not, so some EU states have socialism and some do not—hence the French fear that their much-vaunted "model" is under Anglo-Saxon attack. The low-tax, high-growth Irish model, which is also finding some impressively bold imitators among some new member states, only adds to French nervousness about enlargement.

Even more important, however, is the question of size. Just as New York and Virginia dwarfed Rhode Island, so EU member states range from tiny Luxembourg to giant Germany. The old, pre-enlargement arrangements were designed to compensate for that. Thus, although Germany accounted for around 22 percent of the population (and slightly more of the GDP) of the pre–2003 European Union, it accounted for just 16 percent of the seats in the EU parliament and paid between half and two-thirds of all net contributions to the EU budget.

The fatal flaw of the new constitution was that it aimed to end this underrepresentation of Germany. Under the current system, known as qualified majority voting, important decisions—particularly with regard to economic integration—are taken by the member states' representatives on the Council of Ministers. These votes have been weighted so as to underrepresent the bigger countries:

Niall Ferguson is Laurence A. Tisch Professor of History at Harvard University and a senior fellow of the Hoover Institution at Stanford University.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Germany, Great Britain, France, and Italy each account for around 17 percent of the votes needed to secure a qualified majority. Under the proposed constitution, however, a qualified majority would require the support of "at least 55% of the members of the Council, comprising at least fifteen of them and representing Member States comprising at least 65% of the population of the Union." By introducing an element of proportionality, the second part of this formula significantly increases the importance of Germany: Germany would increase its share to more than a quarter of the votes needed for a qualified majority. Herein lay the real significance of the constitution: It would have signally increased the importance of Germany, a major worry to the French and the Dutch. Unsurprisingly, German Chancellor Gerhard Schröder is trying harder than any other European leader to keep the constitution alive.

DOES THE CONSTITUTION'S likely demise mean that the European Union is stuck where the United States would have been if the 13 states had never got beyond the Articles of Confederation? No. The European Union is already much further along the road to federation than the United States was in 1787. And that is why the rejection of the new constitution does not spell the end of Europe. The existing EU arrangements may be a mess, but they are workable. Indeed, they are working now, even though only twelve out of 25 members currently use the euro, and only 13 are signatories of the agreement to dispense with passport inspections at borders.

Without the new constitution, Europe will look less like the United States and more like the Holy Roman Empire. There will be no single European foreign minister to call when the American secretary of state wants to speak to Europe. There will be no single European president, no grand European army. Instead, there will be a bewildering agglomeration of overlapping institutions and jurisdictions. Like the Holy Roman Empire before it, the European Union will continue to have its courts, its representative institutions, and its bureaucracy. But, rather than a single, strong executive arm, it will have multiple, overlapping tentacles.

Is that what French and Dutch voters wanted to achieve? Insofar as the alternative was a federation in which another country predominated, the answer is yes. The French may loathe the too-liberal Anglo-Saxons. The Dutch may fear the illiberal Muslim horde. But both nations also have fairly fresh memories of what it is like to live in a Europe dominated by the Germans. ■

Loosening oversight of the FBI.

Patriot Games

BY SPENCER ACKERMAN

ON APRIL 13, Anthony Romero did something that, for the past four years, had been unthinkable: He sat down with the U.S. attorney general to discuss flaws in the Patriot Act. Romero, the executive director of the American Civil Liberties Union (ACLU), had been persona non grata during the reign of John Ashcroft, who had once warned a panel of senators questioning the Patriot Act against invoking "phantoms of lost liberty" lest they "only aid terrorists." With the reauthorization of 16 controversial provisions of the Act looming as one of the biggest legislative battles of the year, Romero saw the invitation to meet with Ashcroft's successor, Alberto Gonzales, as potentially auspicious. "He made no promises, of course, and he did more listening than speaking," Romero recalls. "But there seemed to be a willingness to consider what amendments to the law would assuage civil libertarian concerns." Gonzales signaled such willingness to Congress, too, telling the Senate Judiciary Committee that month he was "open to suggestions" on refining the Patriot Act.

So imagine Romero's bewilderment when the Justice Department, acting through Pat Roberts, the chairman of the Senate Intelligence Committee, opted instead to expand Patriot—most dramatically by removing all judicial review from Patriot's hotly debated Section 215, which allows the FBI to secretly seek private records like medical information or library records that it considers relevant to intelligence investigations. Under the new bill, which cleared the Committee this week, FBI agents could use what are known as administrative subpoenas, taking decisions about whether such searches are legal away from judges on the Foreign Intelligence Surveillance (FISA) Court and putting them into the hands of their FBI colleagues.

What's confusing is why the administration would bother. As the FBI's top lawyer, Valerie Caproni, told the Intelligence Committee two weeks ago, not once has the lack of administrative subpoena power disrupted or even complicated a terrorism investigation. What's more, judges have apparently never blocked a Section 215 request outright. In fact, when Justice Department officials have defended Patriot over the past four years, they have almost invariably referred to the fact that the Act provides a role for judges to check potential investigative excesses. Essentially, the administration is arguing that judicial oversight has worked so well—without any damage to national security—that it should be scrapped. And, with judicial review over Section 215 on the chopping block, the Patriot Act's long-feared curtailments of civil liberties might finally be on the horizon.

Continued on page 19

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE AIRLINE CRISIS AND LABOR: NEGOTIATIONS WILL PLAY A KEY ROLE

The airline industry is facing a financial crisis of unprecedented proportions, having lost more than $36 billion worldwide since 2001. The legacy network carriers — for years the cornerstone of the U.S. airline industry — have found their costs to be unsustainable. This landmark study, created by a team of researchers and economists from Charles River Associates, one of the nation's largest consultancies, examines how labor and rapidly escalating health care costs — as well as the price tag for retirement benefits — threaten the very survival of the legacy airlines.

THE AUTHORS

MARK R. KIEFER
Associate Principal,
Charles River Associates

MARK BERKMAN
Vice President,
Charles River Associates

AND

ROBERT E. LITAN
Vice President of
Research and Policy,
Ewing Marion Kauffman Foundation

Faced with competition from low-cost carriers (LCCs) in most markets, legacy carriers can no longer charge fares sufficient to produce profits with their much higher operating costs. Labor is the largest single expense for the major U.S. airlines, representing 32 percent of total major carrier operating costs in 2004. Flight personnel make up the largest share of labor costs, at 45 percent of the total for major carriers in 2004. Labor costs must therefore play an important role in any cost reductions.

The most important differentiator between LCCs and the legacy network carriers is that LCCs do not offer pension plans or post-retirement insurance benefits, historically a valuable benefit of the legacy network carriers. These obligations have become massively underfunded in recent years, driven in part by increased health care costs, and now collectively represent a liability of more than $33 billion for the legacy carriers.

Carriers have begun to negotiate reductions in these benefits to avoid bankruptcy, and already bankrupt carriers have moved to rid themselves of these obligations altogether. US Airways converted its pension plan to a 401(k) plan, and earlier this month United Airlines reached an agreement to transfer its pension plans to the Pension Benefit Guaranty Corp. (PBGC), the federal

Table 1: America's Top-Paying Airlines*

Rank	Risk-Adjusted Ranking
1	UPS
2	FedEx
3	Alaska
4	Northwest
5	Southwest
6	Continental
7	America West
8	Delta
9	United
10	American
11	ATA
12	US Airways

*Note: Effect of revising airline pay rankings based on risk. Airline pay and unadjusted rankings based on figures from Air Inc.'s *2004 U.S. Airline Salary Survey and Career Earnings Comparison*. While this is the most recent Air Inc. study available, it does not reflect the latest contract settlements.

KEY FINDINGS

- The commonly used career earnings comparisons found in the popular salary surveys published by Air Inc. are most appropriately used in the context of an illustrative comparison of current compensation and benefits, rather than in labor negotiations, which by definition are a forward-looking exercise.
- The most appropriate measure for labor negotiations is expected likely future compensation, and this requires accounting for both the relative risk of carriers and the likely future pattern of promotion and working hours.
- Estimating the relative risk of the carriers changes the rankings of nearly all of the carriers, some very substantially (Delta drops from first to eighth and Southwest jumps from eleventh to fifth in the rankings of 30-year career value).
- Cargo carriers, UPS and FedEx, present relatively low risk (ranking first and second) and a substantial value to pilots over the course of a 30-year career, such that the carrier remains near the top of the rankings in the value of lifetime pay, benefits and total compensation.
- Taken together, these results confirm that a forward-looking perspective is necessary to provide an accurate comparison of expected future pilot compensation levels.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

agency that insures pensions.

The PBGC is massively underfunded. After assuming the United plans its benefit obligations will exceed the value of its assets by more than $20 billion, raising the possibility of greatly increased premiums to workers or even a default that would ultimately transfer this massive cost burden to taxpayers. And because the PBGC only insures benefits to $44,000 per year, pilots whose plans are transferred there could see massive reductions in their benefits.

Relieved of the burden of its pension plans, United will have a more competitive cost structure, and this may motivate other carriers to follow suit. Although the replacement of traditional pensions with 401(k) plans has been a general trend in American business, the wholesale erosion of pension benefits among the airlines could rapidly accelerate this trend in other industries.

In light of these developments, labor negotiations will continue to play a key role in securing the financial health of the industry and its emergence from the current crisis. Traditionally, however, negotiations have been motivated by historical financial performance, prior concessions and career-value comparisons to other airlines based on historical data rather than the most likely expected future conditions.

Because these career-value comparisons are based on historical data, they do account for the fact that some carriers (particularly the LCCs) are far more likely to survive the current crisis and provide competitive compensation levels well into the future, whereas the most distressed carriers are unlikely to sustain their current compensation levels, even in the near term.

Accounting for this carrier-specific risk can change the rankings of airline career values substantially, as illustrated in the table on p. 5. LCCs like Southwest that have relatively lower wages and more modest benefits are ranked higher, while legacy carriers with lucrative pay and benefits — but which currently are in the poorest financial condition — are ranked much lower.

WHY SENIORITY COUNTS

As in many industries, pilot compensation at major U.S. airlines is tied very closely to seniority. While pay rates for a given duty position and aircraft type generally increase with years of service, pay rates also are generally higher for larger aircraft, and union work rules assign priority for promotion to these larger aircraft strictly according to the pilot's tenure at the carrier. This structure makes it very costly for a pilot to change airlines after more than a few years, because transfer to another company can result in that pilot being placed at the bottom of that company's seniority list.

It's often a lifetime decision when an entry-level pilot decides which major carrier to work for, because he or she will most likely work only for that carrier for the remainder of his or her career. Salary surveys providing career-value comparisons across airlines represent a very important tool for new pilots to help them select a carrier. The salary survey commonly used for these purposes is the *U.S. Airline Salary Survey and Career Earnings Comparison*, published annually by Air Inc.

HOW CAREER EARNINGS ARE COMMONLY MEASURED

The basic model employed by Air Inc. calculates lifetime compensation as follows:

Lifetime compensation = lifetime pay + lifetime active benefits + retirement benefits

It is assumed that a pilot begins work at age 30, working for 30 years continuously until the mandatory retirement age of 60. The annual salary for each year of service is calculated by multiplying the pay rate (taken from labor contracts for each carrier) for the duty position/aircraft type assumed for the respective level of tenure by the historical average number of credit hours per month for pilots at that carrier.

These annual salary numbers are summed over the 30 years to compute lifetime pay. Active benefits such as health, life and disability insurance are assumed to be 15 percent of pay in each year for all carriers. After the mandatory retirement age of 60, the pilot then earns retirement benefits for an additional 15.9 years, the remainder of the current actuarial average life of a 30-year-old Caucasian male. These retirement benefits consist of defined benefit pension plans or defined contribution 401(k) plans, as well as post-retirement insurance benefits as applicable for each

Table 2: How Much Pilots Have Been Promised*

Airline	Air Inc. Total Value of Pay
Delta	$5,735,784
UPS	$5,122,740
FedEx	$4,760,160
United	$4,150,104
Alaska	$4,689,864
Northwest	$4,499,328
American	$3,287,112
Continental	$4,191,852
ATA	$3,792,960
Southwest	$3,968,892
US Airways	$3,903,180
America West	$3,348,540

*Note: The figures above are what airlines have promised pilots as part of labor agreements, although in some cases airlines cannot afford to honor these contracts and seek bankruptcy protection and new contracts.
Source: Air Inc., *2004 U.S. Airline Salary Survey and Career Earnings Comparison*

Table 3: Which Airlines Are Least — and Most — Risky*

Rank	Risk-Adjusted Ranking	5-Year Beta
1	UPS	0.4054
2	FedEx	0.5521
3	Alaska	1.4735
4	Northwest	2.3743
5	Southwest	0.8843
6	Continental	3.3707
7	America West	3.1926
8	Delta	2.3511
9	United	2.5928
10	American	3.5023
11	ATA	Bankrupt
12	US Airways	Bankrupt

*Note: Some airlines are better suited to actually pay out the contracts to workers they have promised, based on healthier financial conditions, reflected here as their average cost of capital. Some airlines have promised pilots large pay packages but can't deliver when they seek bankruptcy protection or seek to break their contracts.
Source: CRA International, 2005

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

carrier (some carriers do not offer all of the above benefits).

WHY RISK MATTERS

The importance of accounting for risk in career-value comparisons can be illustrated through the following types of hypothetical questions: Do we expect that Carrier A will still be in business 30 years from now? What about Carrier B? If Carrier B is in business, will it resemble at all the company we know today? In essence, we can think of the risk we need to account for as reflecting how likely each of the respective companies are to still be in business 10, 15 or 30 years from now. To the extent that this likelihood varies across carriers, it can significantly affect the true value of future compensation.

There are a number of reasons why we should expect risk to vary across carriers. Although the airline industry is highly cyclical, the financial performance of individual airlines can differ significantly, even within a significant industry downturn. Financial performance also affects compensation through profit-sharing contributions, stock options, the value of defined contribution and 401(k) plans.

Table 4: Effect of Risk Adjustment on Ranking of 30-Year Value of Benefits

Rank	Risk-Adjusted Ranking	Unadjusted Ranking
1	UPS	UPS
2	FedEx	Delta
3	Alaska	United
4	Northwest	FedEx
5	Southwest	American
6	America West	Northwest
7	Continental	Alaska
8	Delta	ATA
9	United	Continental
10	ATA	Southwest
11	American	US Airways
12	US Airways	America West

Note: ATA, United and US Airways are assumed to have the cost of capital of the highest nonbankrupt company. The actual cost of capital for these companies may be much higher.
Source: CRA International, 2005

HOW RISK IS VALUED

The traditionally accepted and widely used means by which uncertainty is accounted for is through the process of *discounting*, wherein future cash flows are adjusted in value to reflect their distance in time and using a company-specific measure of risk or discount rate. (As we have described, the Air Inc. report assumes that wages grow at the rate of inflation for all carriers, thus implicitly assuming no discount rate).

The default measure of the discount rate for a given company is that firm's weighted average cost of capital (WACC). Just as higher-risk consumers must borrow money at higher interest rates (for home mortgages, car loans, etc.), companies must compensate investors for higher default risks through higher rates of return. These higher borrowing costs of riskier companies are reflected in a higher WACC, and thus a comparison of WACCs across companies provides a good measure of their relative riskiness. To reflect the effect of the relative risk associated with the different airlines, we first estimated the WACC for all of the major U.S. carriers for which data was available.

Risk varies widely across carriers, with WACCs ranging from a low of 6.5 percent at UPS to a high of 16.4 percent at Delta. Although accurate values could not be computed for United, US Airways and ATA because of current bankruptcies, we would expect their cost of capital to be even higher. We have assumed (conservatively) that for this purpose, their WACCs will be equal to the highest observed value among the other carriers, 16.4 percent.

Using the WACC estimates, we calculated risk-adjusted values of the pay, benefits and total compensation figures reported by Air Inc. These values were then used to determine how rankings of carriers would change if differences in risk across carriers were accounted for. The impact is significant when including risk in the comparison — it changes the ranking of nearly every carrier, some quite significantly. Delta drops from first to seventh, while Southwest jumps from eighth to fifth. This result is because Delta has such a relatively high WACC at 16.4 percent, while Southwest's figure is much lower at 8.4 percent. Because they are the least risky of all the carriers, UPS and FedEx move up in the rankings, to first and second, respectively.

When adjusted for risk, the value of FedEx's benefits ranks second only to UPS (up from fourth), while Delta drops from second place to eighth. American also falls significantly, from fifth to eleventh, while Southwest increases markedly in the rankings from tenth to fifth.

IMPORTANCE OF SEAT PROGRESSION

Air Inc.'s assumption of how a pilot will progress through his or her career at each carrier is based on historical information rather than predicted future career paths. And it figures importantly in Air Inc.'s career-value estimates, as pay rates increase with tenure, aircraft size and duty position.

We therefore examined the sensitivity of the Air Inc. model to the assumptions about seat progression and found that minor changes in the assumption can change the career-value rankings of some carriers. For example, if we assume that Northwest pilots reach each duty position/aircraft type in the sequence of their career progression one year earlier than that assumed by Air Inc., the resulting increase in estimated lifetime pay is sufficient (all else being equal) to move them ahead of Alaska in the 30-year comparison

Table 5: Effect of Risk Adjustment on Ranking of Total 30-Year Career Value

Rank	Risk-Adjusted Ranking	Unadjusted Ranking
1	UPS	Delta
2	FedEx	UPS
3	Alaska	FedEx
4	Northwest	United
5	Southwest	Alaska
6	Continental	Northwest
7	America West	American
8	Delta	Continental
9	United	ATA
10	American	Southwest
11	ATA	US Airways
12	US Airways	America West

Note: ATA, United and US Airways are assumed to have the cost of capital of the highest nonbankrupt company. The actual cost of capital for these companies may be much higher.
Source: CRA International, 2005

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

(Air Inc. ranks the carriers sixth and fifth, respectively). This result in part reflects the fact that Alaska and Northwest are so close together in Air Inc.'s rankings, but it nevertheless demonstrates the importance of the seat progression assumption in the model. On the other hand, it would require a significant (and probably unrealistic) change in the seat progression assumptions for FedEx and UPS to change these carriers' relative rankings (third and second, respectively, in Air Inc.'s 30-year comparison).

Even in cases where a change in seat progression assumptions may not change the rankings, however, it may nevertheless have a significant impact on the total career value estimated by the Air Inc. method. To illustrate this result, we used detailed data supplied directly by FedEx about the composition of its pilot workforce. These data indicate the date on which each pilot achieved each duty position and aircraft-type assignment in his or her career. Using these data we determined the most frequently occurring duty position/aircraft type combination for a year of tenure (that is, for FedEx pilots with, say, seven years of service, the duty position/aircraft type combination held by the largest number of pilots). We found that the seat progression profile implied by this result did not match the seat progression assumption imputed from the Air Inc. tables. Rather, the FedEx data imply that pilots have been advancing more rapidly than the rate assumed by Air Inc.

We recalculated FedEx's career earnings estimates using the Air Inc. methodology, but substituted the seat progression profile implied by the FedEx data. The result was an increase in FedEx's estimated lifetime pay of more than $224,000 and an increase in lifetime compensation of more than $336,000. This is a significant difference (approximately 4 percent), but not sufficient enough to change FedEx's overall ranking.

SENSITIVITY TO CREDIT-HOURS ASSUMPTION

The average number of credit hours earned per month is a fundamental assumption in the Air Inc. career-earnings model that drives much of the lifetime compensation results (it is one of the two basic inputs in the pay calculation, and both active benefits and some retirement benefits are based on pay). We therefore examined the sensitivity of the Air Inc. results to the carrier-specific average credit-hour assumptions.

As with the seat-progression assumption, even small changes in the average monthly credit-hours assumption are sufficient to change the ranking of carriers in the Air Inc. model. If one were to assume that Northwest's pilots earn, on average, even one more credit hour per month than presently assumed by Air Inc. (or that Alaska's pilots earned one hour less), this would be sufficient to switch the rankings of these carriers.

The variations in pay observed across carriers are in fact a function of several factors: wage rates, the number of hours worked, the types of hours worked and the policy with respect to payment for each of these types of hours (some hours are credited at time and a half or double-time, etc.). Thus, the use of the average credit-hours assumption as the basis of the Air Inc. compensation estimates also masks another potentially important difference across airlines.

LABOR COSTS PLAY ROLE

Labor costs will continue to play a major role in the restructuring of the airline industry. Traditionally, an historical rather than a forward-looking perspective has motivated labor negotiations. The commonly used career-earnings comparisons found in the popular salary surveys published by Air Inc. are most appropriately used in the context of an illustrative comparison of current compensation and benefits rather than in labor negotiations, which by definition is a forward-looking exercise. The most appropriate measure for labor negotiations is expected likely future compensation, and this necessarily requires accounting for both the relative risk of carriers and the likely future pattern of promotion and working hours.

We examined specifically the sensitivity of the Air Inc. model to the issue of risk and uncertainty, as well as its treatment of credit hours and its assumptions regarding seat progression. Adjusting the rankings for an estimate of the relative risk of the carriers changes the rankings of nearly all of the carriers, some very substantially (Delta drops from first to eighth and Southwest jumps from eleventh to fifth in the rankings of 30-year career value). Cargo carriers UPS and FedEx's relatively low risk (ranking first and second) represents a substantial value to pilots over the course of a 30-year career, such that the carrier remains near the top of the rankings in the value of lifetime pay, benefits and total compensation. Adjusting for risk increases the airline's ranking to second in all three categories.

The Air Inc. model also is very sensitive to the hours- and seat-progression assumptions, such that very small changes in either assumption are sufficient to change the rankings of carriers. Revision of the seat-progression assumption for FedEx raises Air Inc.'s estimate of its 30-year career value by $336,315, but does not change FedEx's position relative to other carriers.

To learn more, go to:
http://tnr.com/panel/tnr_on.mhtml

ABOUT THE AUTHORS

***Mark R. Kiefer** is an associate principal in the transportation practice at Charles River Associates, where he specializes in economic research and analysis for the aviation sector. His clients have included major airlines, large hub airports, aerospace manufacturers, the U.S. Department of Transportation Office of Inspector General and the Federal Aviation Administration.*

***Mark Berkman** is vice president and director of the employment economics and litigation practice at CRA. He has advised clients regarding labor disputes, discrimination claims, reduction in force plans and compensation plans, and estimated the employment impacts of both plant closures and proposed government regulations.*

***Robert E. Litan**, a senior consultant to CRA, is vice president for research and policy at The Ewing Marion Kauffman Foundation in Kansas City, Mo., and a senior fellow at the Brookings Institution. He formerly served as vice president and director of economic studies at Brookings, as well as associate director of the U.S. Office of Management and Budget and deputy assistant attorney general in the Antitrust Division of the U.S. Department of Justice.*

SPONSORED BY

FedEx Express

This advertorial does not involve any writing, reporting or editing from the editorial staff of The New Republic.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ALL THE AVAILABLE evidence suggests that the expanded investigative authorities granted to the FBI by Patriot haven't in fact abridged civil rights. According to long-awaited information declassified by the Justice Department in April, investigators have used roving wiretaps only 49 times in the three and a half years since Patriot legalized them. So-called "sneak-and-peek" warrants, in which the subject of a search isn't initially told about it, have been executed 155 times. And personal records seizures permitted by Section 215 were approved in only 35 cases, none of which involved material from a library or medical file. Last month, the Justice Department's inspector general, Glenn A. Fine, told Congress that, out of 7,000 civil rights complaints received by his office since October 2001, only one related to the Patriot Act.

For years, Justice Department officials have deployed a ready explanation for why the much-feared abuse hasn't materialized: judicial oversight. "This is not just the government making this decision. We have to go to a federal judge," Gonzales told Senator Richard Durbin in April, defending Section 215. Indeed, a constant emphasis of pro-Patriot op-eds penned by U.S. attorneys around the country this spring has been the importance of judicial review. As Allen Loucks and Harvey E. Eisenberg, two federal prosecutors in Maryland, recently wrote in the *Baltimore Sun*, "[E]ach provision that allows for the compulsory collection of records or searches of locations requires approval by a federal judge, one of the time-honored protections afforded by our Constitution."

It's precisely those "time-honored protections" that Roberts's bill would gut. Instead of a FISA Court judge, investigators seeking personal records related to a terrorism investigation would need only the approval of fellow FBI officials. The FBI has made two arguments for administrative subpoenas. First, as Caproni told the Intelligence Committee, "This type of subpoena authority would allow investigators to obtain relevant information quickly in terrorism investigations, where time is of the essence." Second, there is precedent for administrative subpoenas, which are used in many other investigations involving far less serious threats to national security. FBI Director Robert Mueller has lamented the fact that his agents can approve their own subpoenas for "investigations of crimes ranging from drug-trafficking to health care fraud to child exploitation, yet, when it comes to terrorism investigations, the FBI has no such authority."

In addition, some in the law-enforcement community consider administrative subpoenas more protective of civil liberties than Section 215's judicial review. "The key feature of an administrative subpoena is that it's not self-enforcing," says Michael Woods, who headed the FBI's national security law unit when the Patriot Act was drafted. "If a recipient doesn't want to comply, the FBI has to go to court to enforce it." By contrast, civil liberties groups have argued for years that vague language in Section 215 governing the FISA Court's ability to deny an FBI request for information "essentially turns judges into a rubber stamp," as Romero puts it—a claim made "with some justification," in Woods's view. Better, he argues, for courts to hear challenges to administrative subpoenas after they've been served and thereby develop a framework for their use: "The great thing about case law in the common law tradition is it allows you to effectively modify and adjust statutory authorities, and, in this area, that's probably a very good idea."

But there are several problems with these arguments. Most important, investigators can't explain why they need administrative subpoenas. Caproni maintained that the lack of the subpoenas "does hamper us" but couldn't cite a case where judicial oversight provided under Section 215 compromised or even materially affected an investigation. When pressed to substantiate her claim, she conceded, "Can we show you, because of delays, that a bomb went off? No, but it could happen tomorrow." California Democratic Senator Dianne Feinstein, a stalwart Patriot defender, replied that the FBI was seeking "carte blanche for a fishing expedition."

Nor does the parallel to administrative subpoena use in cases like Medicare fraud hold water. Most circumstances in which the FBI or another federal agency (the Securities and Exchange Commission, for example) can issue an administrative subpoena occur in heavily regulated industries, limiting the ability of the investigator to conduct a wide-ranging search—the sort of search that is often necessary to disrupt terrorist activity. Furthermore, in those instances, the FBI serves the subpoena *publicly* on the subject of its investigation, like a pharmacist suspected of dealing prescription drugs on the black market. In a terrorism investigation, by contrast, an administrative subpoena would be served *secretly* on a third party, such as an Internet service provider or, yes, a library, to gain information about its clientele. And that creates a problem for the FBI's claim that contesting a subpoena after its issuance provides sufficient judicial review: Third parties don't have much incentive to challenge a dubious subpoena for an investigation that doesn't target them—a fact that Caproni readily conceded to the Senate panel. Indeed, many potential subjects of administrative subpoenas have taken steps since September 11 to expand compliance with investigators: America Online, for example, set up a special hotline for police officers seeking subscriber information.

But, if the FBI is serious about preventing abuse while fighting terrorism, there's a legislative alternative at the ready. "If you're not going to go the route of administrative subpoenas," says Woods, "then, clearly, the thing to do is fix Section 215 to make it clear that the court has real oversight." That's the route taken by the Security and Freedom Enhancement Act, or SAFE Act, a bipartisan modification of Patriot introduced in April by Idaho Republican Senator Larry Craig. Under SAFE, investigators could still cast a wide net, but FISA judges would certify that the Bureau possesses "specific and articulable facts" connecting the search to an investigation of a foreign power and would place limits on secret searches. And, to satisfy fears about "constraints that

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

would tie [the FBI's] hands unnecessarily," as Roberts put it last month, Feinstein suggested that some emergency exception to robust judicial oversight should be available to the FBI in cases where time is truly of the essence—which might seed the bed for a compromise.

That is, if the administration and its congressional allies want one. Not only did Roberts insist on marking up his bill in secret, he scheduled both the initial mark-up and the hearings on it for a week overshadowed by the filibuster showdown and the Memorial Day recess, infuriating both civil libertarians and several of his fellow senators. Despite such acrimony, Roberts pressed on, and, on Tuesday, his Committee approved the bill. His persistence isn't surprising: The administration has wanted to grant the FBI administrative subpoena authority in terrorism cases for years—it sought it in the original draft of the Patriot Act and in several ill-fated legislative expansions since. This time, however, the congressional consensus on reauthorizing the vast majority of the Patriot Act creates "an opportunity that may not previously have existed" to expand it, in the words of one Democratic aide to the Senate Judiciary Committee.

But, unlike the original passage of the Patriot Act—which sailed through Congress on a wave of terrorism anxiety—this time, resistance to its expansion is assured. "I think that the Judiciary Committee is going to exert its jurisdiction," says the Committee staffer. Echoes Romero, "I think [Roberts and the administration] underestimate the concerns across the political aisle to their detriment." For now, however, Romero is just seeking another sit-down with Gonzales—though, judging by how the last one went, it's hard to see what he'll gain. ■

Meet team DeLay.

Tammany Fall

BY JOHN B. JUDIS

When Tom DeLay became majority whip in January 1995, he and Grover Norquist, the president of Americans for Tax Reform, initiated the K Street Project, a plan to force lobbyists to hire only Republicans and raise money only for Republican candidates. It was based on the assumption that, by monopolizing political contributions from business, Republicans could preserve the congressional majority they had just won. But DeLay had his own stake in the project. By controlling the flow of these contributions, he could enhance his own power within the party. That, after all, was how he had defeated Robert Walker, Speaker Newt Gingrich's candidate for whip—by raising and dispensing over $2 million during the fall election to Republican House candidates.

As a first step in tightening ties between corporate America and the Republican Congress, DeLay convened a meeting of lobbyists in early 1995 to write legislation that would freeze new government regulations on business. DeLay's success that year in getting the House to adopt this legislation and in waylaying the Clinton administration's ergonomics regulations cemented his ties to a group of lobbyists who would become his "kitchen cabinet."

Then, in 1998, as he was assuming de facto control of the House from an embattled Gingrich, DeLay began to threaten firms and trade associations that refused to replace Democratic staffers with Republicans. When the Electronic Industries Association hired former Democratic Representative Dave McCurdy as its president, DeLay held up copyright legislation it had lobbied for. And, in the spring of 1999, after a court ruled against Microsoft in an antitrust suit, DeLay let Microsoft know that, if it wanted Republican support, it should hire Republican lobbyists and fund Republican candidates. Recalls one high-tech lobbyist, "The [GOP] leadership was pretty much saying that, if we are going to bail you out, what are you giving to those [Democratic] guys for?"

The pressure worked. Although the Electronic Industries Association retained McCurdy, it made him a figurehead and put the actual lobbying work into the hands of two conservative Republicans. Microsoft began hiring Republicans and giving the bulk of its contributions to Republicans, including DeLay. (During the 2004 election cycle, for instance, Microsoft gave DeLay's PAC the maximum of $10,000.) By the late '90s, lobbying firms and trade associations were coming to DeLay's office to have their new hires cleared.

That's when DeLay took the K Street Project one step further. He didn't just get lobbying firms to hire Republicans; he got them to hire his former staff. Through these staffers, DeLay created a network of lobbyists, political consultants, and conservative activists who did his bidding. The ex-staffers on K Street didn't act like conventional lobbyists, who represent the interests of their clients. When DeLay staffers left his office for K Street, they continued to represent *his* interests as well as those of their clients. They would tell businesses how to please DeLay—and that meant funding him and his political operations. And, in addition, they would aid and oversee the organizations that he was developing to enhance his power. The result was the rise of a political machine reminiscent of New York's Boss Tweed or Mississippi's Theodore Bilbo.

That machine is one reason DeLay, now the majority leader, has continued to amass power over the last decade. With its assistance, he has raised much more money than any other House member, ensuring loyalty and obedience from his fellow Republicans. But DeLay's relentless drive to power has created a continuing temptation to sell votes,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

exceed campaign funding limits, and cloak greed in the guise of charity or education. DeLay, like Tweed and Bilbo, has repeatedly succumbed to this temptation to bend the law. That's why, as clouds of scandal gather over DeLay's office, the same political machinations that contributed to his rise to power may finally lead to his downfall.

SINCE 1984, DELAY has employed about 300 people in his congressional and leadership offices and about 75 more on his campaigns and at his political and charitable organizations, including Americans for a Republican Majority Political Action Committee (ARMPAC) and the DeLay Foundation for Kids. Working for DeLay was a plum assignment for ambitious conservatives, but many left after three or four years, with DeLay's blessing, to become lobbyists and political operatives.

Indeed, lobbying firms competed intensely for top DeLay staffers. Says one high-level Republican lobbyist for a trade association, "There is always a premium for people coming from [the congressional] leadership, and DeLay has run a tighter ship, so that has put a premium on contacts with people who serve in his office." After the lobbying firm Williams & Jensen landed former DeLay Chief of Staff Susan Hirschmann in 2002, *National Journal* termed it "the biggest hiring coup of the year."

Since the late '90s, 29 DeLay alumni have acquired major lobbying positions on K Street. (That dwarfs any other leadership office. Speaker Dennis Hastert, for instance, has six former staffers on K Street.) Together, they represent around 350 firms and institutions, including the bulk of the country's energy firms, the giants of the finance and technology sectors, the airlines, the auto manufacturers, the tobacco companies, and the country's largest health care and pharmaceutical companies. Former DeLay staffers also represent 13 of the biggest trade associations, including the American Petroleum Institute, the Pharmaceutical Research and Manufacturers Association, and the Information Technology Industry Council. Microsoft, for instance, has retained a host of DeLay alumni, including nine lobbyists from the Alexander Strategy Group, which former DeLay Chief of Staff Ed Buckham founded in 1998 with a huge initial contract that DeLay secured from Enron. (The group also paid DeLay's wife a salary for several years.)

A few former staffers went to work for other House members or senators before leaving for K Street and are more clearly identified with them than DeLay. But most DeLay alumni trumpet their association with the majority leader. The Alexander Strategy Group's website sports a quotation from "Ed Buckham, partner, former chief of staff, Majority Leader Tom DeLay." The former staffers call themselves "Team DeLay," and, after DeLay's legislative director, Drew Maloney, quit to join the Federalist Group in 2002, he convened a meeting of ex-staffers every six weeks. One attendee, former Deputy Chief of Staff Tony

INTRODUCING A REALLY HIGH-TAR CIGARETTE.

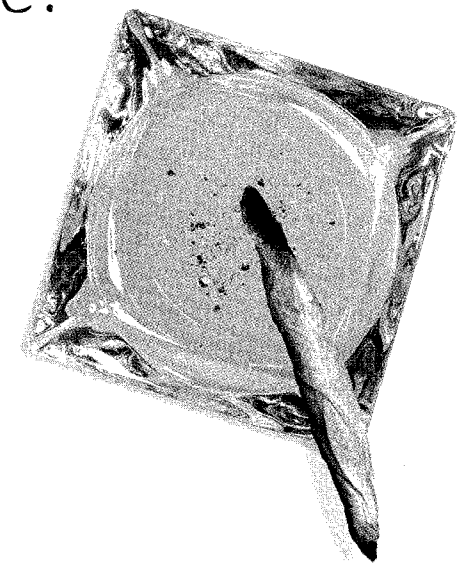
Quite a few people think that smoking pot is less likely to cause cancer than a regular cigarette. You may have even heard some parents say they'd rather their kids smoked a little pot than get hooked on cigarettes.

Wrong, and wrong again.

According to the National Institute on Drug Abuse, one joint can deliver four times as much cancer causing tar as one cigarette. So if your kids smoke a joint, their lungs are being filled by far more carcinogens than if they smoked a cigarette.

That's just one of the many problems with pot. But kids whose parents get involved with them are far less likely to do drugs. To learn more, call 1-800-788-2800 or come to the web site.

PARENTS.
THE ANTI-DRUG.
theantidrug.com



OFFICE OF NATIONAL DRUG CONTROL POLICY/PARTNERSHIP FOR A DRUG-FREE AMERICA®

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Rudy, who is now with the Alexander Strategy Group, told *National Journal*, "There is a lot of discussion about how we can help Republican candidates and expand the majority." As for DeLay, Rudy added, "As long as he wants me, I'll be there for him." (DeLay, as well as Buckham and Rudy, did not respond to interview requests for this story, and former staffers who were interviewed insisted on not being quoted.)

DeLay's former staffers have also migrated to conservative Republican organizations. These include several high-powered communications firms. Former Press Secretary Michael Scanlon heads Capital Campaign Strategies, which is known as the partner of former lobbyist and DeLay crony Jack Abramoff in bilking American Indian tribes. Former DeLay Director of Communications Jonathan Baron's Red Sea LLC handles polling and media relations for ARMPAC, Republican candidates, and the Club for Growth. DeLay alumni also occupy key positions in the Christian Coalition, the International Republican Institute, the National Right to Life Committee, the Home School Legal Defense Association, the Traditional Values Coalition, and Concerned Women for America.

DeLay has alumni throughout the Bush administration, including the White House and the Commerce, Justice, and State Departments, too. In January 2004, after reaching an antitrust agreement with Microsoft on its browser, Internet Explorer, the Justice Department appointed Patricia Brink, who had served for ten years as DeLay's press secretary, to oversee Microsoft's compliance. Asked whether the appointment could reflect DeLay's influence, one lobbyist commented, "I think that was a significant choice."

In the House, DeLay pushed Hastert, who had been his deputy whip, into becoming speaker in 1998 and nominated Missouri Representative Roy Blunt to succeed him as whip when he became majority leader in 2000. Many of their key staff are DeLay alumni, including Hastert's director of operations and Blunt's deputy chief of staff and director of floor operations. DeLay also has staffers in high positions in at least eight other House offices, including that of Republican John Boehner, who, along with Blunt, is often mentioned as a possible successor to DeLay.

These connections—and lobbying ties in particular—have allowed DeLay to dominate the relationship between K Street and the Republican Party. When pharmaceutical companies wanted a prescription-drug bill in 2003 that would not force them to bargain with the government over prices or to compete with imported drugs, they worked through a broad coalition organized by Hirschmann. The pharmaceutical companies also hired five other former DeLay staffers to lobby, including three from Buckham's Alexander Strategy Group. When energy firms wanted to pass a provision that would retroactively limit liability for manufacturers of MTBE, a toxic gasoline additive, they hired Maloney. And, when tobacco companies wanted to keep the Food and Drug Administration from regulating their industry, they looked to former DeLay staffer Karl Gallant at the Alexander Strategy Group.

DeLay almost invariably came through for these lobbyists and their clients, badgering and even allegedly attempting to bribe Republicans who didn't want to back the budget-busting prescription-drug bill, blocking the Bush administration's energy bill because the Senate version didn't limit MTBE liability, and killing a provision in a tobacco bill that would have permitted FDA regulation. His success redounded in fund-raising receipts. During the 2004 election cycle, two tobacco companies, R. J. Reynolds and Brown and Williamson, gave the maximum $10,000 contributions to DeLay's PAC. Energy companies contributed $143,425 and pharmaceutical companies $106,000 to DeLay's reelection campaign in the cycle.

BUT DELAY'S FORMER staffers not only raised money for his campaigns—all lobbyists have their clients give money to politicians they want to influence—they also helped fund and staff his PACs and a succession of shadowy groups that intended to advance DeLay's personal agenda and preserve his power in the House. These efforts have proved enormously remunerative, but they have also contributed to the scandals and investigations that have dogged him.

The heart of DeLay's fund-raising has always been ARMPAC, which he founded before the 1994 election to buy support from fellow Republicans. Initially overshadowed by Newt Gingrich's GOPAC, it became the leading House Republican PAC after Gingrich resigned. Its directors have played musical chairs between DeLay's offices and the Alexander Strategy Group, to which, at one point, ARMPAC paid rent. After DeLay became majority whip, he recruited tobacco lobbyist Gallant to head it. Gallant was succeeded in late 1997 by Buckham, who also set up the Alexander Strategy Group, where Gallant went to work. In 1999, Jim Ellis, who worked for the Alexander Strategy Group, succeeded Buckham as ARMPAC's director. Buckham and Ellis (along with Abramoff and later Hirschmann) became DeLay's principal political advisers.

ARMPAC was wildly successful. From 1998 to 2004, it raised $14.3 million, which it dispensed to the National Republican Congressional Committee (NRCC) and Republican House members. But DeLay was never satisfied with ARMPAC, which had to disclose its contributors and limit the size of their hard money contributions. So, after the 1998 election, DeLay, Buckham, Ellis, and Gallant set up three dubious fund-raising vehicles: the U.S. Family Network (USFN), Americans for Economic Growth (AEG), and the Republican Majority Issues Committee (RMIC). USFN and AEG were registered as tax-exempt "social welfare" organizations that didn't have to report their contributors but did have to devote the bulk of their time to nonpolitical activities. The RMIC could participate in politics but couldn't back specific candidates. All of these organizations were supposed to be independent of DeLay, but DeLay's lieutenants ran them on his behalf. USFN, run by DeLay's for-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

mer campaign manager, Robert Mills, seemed designed to subsidize DeLay's political operations and Buckham's lobbying. It raised over $1 million from five donors, which it used to purchase a Washington, D.C., townhouse for ARMPAC and the Alexander Strategy Group and a 15-year lease on an MCI Center skybox (presumably to entertain clients and donors). In 1999, the NRCC—whose chairman, Representative Tom Davis, owed his position to DeLay's support, and which hired Buckham as a consultant—sent the USFN $500,000, most of which it funneled to AEG for ads in congressional races. The FEC later ruled that the NRCC was trying to avoid rules on the use of corporate money by laundering it through the two organizations and fined it $280,000.

DeLay shut down USFN and AEG after the 2000 election and RMIC soon afterward. But he wasn't finished with questionable ventures. After the 2002 congressional election, when new campaign finance rules took effect barring members of Congress from raising soft money, DeLay's hand could be seen in the establishment of the Leadership Forum, chaired by Hirschmann and launched with a $1 million grant from the NRCC. And, on the eve of the Republican convention last August, DeLay established a "charity," Celebrations for Children, which planned to use the money it raised to entertain lobbyists and politicians at the convention.

But, of all DeLay's ventures, the one that has gotten him in the most trouble is Texans for a Republican Majority (TRMPAC). In September 2001, DeLay and Ellis established TRMPAC to help Republican candidates win control of Texas's House of Representatives in the 2002 elections, so that they could vote for a new congressional redistricting plan that was aimed at replacing seven Democratic incumbents with Republicans. TRMPAC raised $1.6 million for Republican statehouse candidates, but at least $600,000 of TRMPAC's funds came from corporations. That's against Texas law, which forbids corporations and unions from funding state campaigns. Last September, a grand jury in Travis County indicted Ellis and two co-workers, John Colyandro and Warren Robold (who came from ARMPAC).

DeLay denies that he had any knowledge of TRMPAC's fund-raising, but the entire operation was geared toward attracting his donors. TRMPAC's fund-raisers went after not only Texas companies, but also firms like Kansas City–based Westar Energy Corporation, which didn't have any special business in Texas but wanted to buy favors from the majority leader. And DeLay's former staffers from K Street were brought in to involve DeLay in the fund-raising.

One of these ex-staffers was Drew Maloney of the Federalist Group. In June 2002, Maloney organized a joint ARMPAC/TRMPAC golf fund-raiser featuring DeLay at the Homestead Resort in Virginia. It included several energy companies interested in limiting MTBE liability and Westar, which wanted a special exemption from public utility laws. In an e-mail to another former staffer, Chris Perkins, who was working for ARMPAC, Maloney explained that Westar was giving $25,000 to TRMPAC on the understanding DeLay would champion its legislation. And, after reportedly asking Westar executives what they wanted, DeLay did so. DeLay later drew an admonishment from the House Ethics Committee for appearing to sell his vote to Westar.

As the Travis County case and a civil suit by former Democratic Representative Chris Bell, a victim of DeLay's gerrymandering, have proceeded, e-mails have surfaced linking DeLay directly to TRMPAC through his ex-staffers. In one e-mail, Maloney told Robold that he had two checks from Reliant Energy that he would give to DeLay to convey to TRMPAC. "Will deliver to T.D. next week probably," Maloney wrote. In another, Robold asked Colyandro to draw up a list of the top ten potential givers. "I would then decide from response who Tom DeLay others [*sic*] should call," Robold wrote. These and other e-mails could provide the basis for indicting DeLay. At the least, they add further detail to the picture of DeLay as an accessory to corruption.

DeLay has, of course, been dodging investigators and civil suits since 1999 without any apparent reduction in his power. Up until this year, his notable successes—for instance, winning the Republicans six additional House seats from Texas—increased his clout. But DeLay's accumulation of misdeeds, most of which grew out of his attempt to create a political machine that would put lobbyists and their clients at his service, may have finally stalled his drive to power. Facing a panoply of ethics charges, DeLay's influence has begun to wane.

In the face of new charges against Delay, the House voted earlier this year to repeal the changes in ethics rules that were adopted last November at DeLay's behest—and which would have allowed him to keep his leadership position even if indicted in Texas. DeLay also failed to block a bill relaxing government rules on funding stem-cell research. Says one influential Republican lobbyist, "You would not think that, if he were at the height of his powers, the stem-cell bill would have passed." Only a handful of DeLay's colleagues showed up at a tribute that the American Conservative Union held for him in Washington on May 12. And Republicans, who once coveted DeLay's backing, are now worried about suffering from a "DeLay factor" in November 2006.

Social conservatives like Paul Weyrich and James Dobson of Focus on the Family have stood solidly behind him, but other conservatives have begun to waver. *The Wall Street Journal*'s editorial page has criticized DeLay for ethical lapses. And even his closest conservative allies are distancing themselves. Norquist, while insisting that DeLay has not been weakened by the scandal, tried to dissociate DeLay from the K Street Project. "Not to be critical of DeLay," Norquist says, "but this is an outside project where we have raised the importance of hiring people who understand economics." Norquist showed up briefly at the tribute to DeLay but left before the dinner and the speeches.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

There has also been a sharp falloff in DeLay's fundraising. Contributions to his legal defense fund have plummeted, even as DeLay's legal expenses have mounted. In the last quarter of 2004, DeLay raised $254,250. In the first quarter of this year, he raised only $47,750. Contributions to ARMPAC may also be falling off. In its FEC filing for the first months of this year, ARMPAC listed $386,252 in contributions. In a comparable filing for the first four months of 2003 (also at the beginning of an election cycle), ARMPAC listed $446,223 in contributions. (According to FEC records, DeLay also loaned his congressional campaign $100,000 this spring.)

DeLay could still rebound, or he could be forced out as Gingrich was, allowing Blunt, who is being groomed as his successor, to take up where he left off. But, in the growing public disquiet with congressional corruption—which is reminiscent of the early '90s—there are clear warning signs to DeLay and to Republicans. In trying to introduce the kind of political machine most commonly found in postbellum Mississippi or Tammany New York City, DeLay may have damaged not only his career, but also the Republicans' grip on Washington. ■

Kinder Dispatch

Tribal Counsel

BY MICHAEL CROWLEY

WELCOME TO KINDER: CROSSROADS TO EVERYWHERE. The sign is an exercise in wishful thinking. In reality, Kinder is a somnolent central Louisiana town of 2,000 that feels more like the middle of nowhere. It lies stranded a few miles off the freeway between New Orleans and Houston. Local fare includes fried oysters at Roy's Catfish Hut. But there's not much else to draw visitors here.

Or so it seems, until you follow a minor highway out of town, cruise through lush green fields, and come upon a blazing neon sign that towers over the serene rural landscape: COUSHATTA CASINO RESORT. A giant video screen below shuffles images of people throwing dice and clinking glasses, interspersed with messages like YOUR PARTY IS WAITING!, HOT NEW SLOTS!, and FAST ACTION TABLE GAMES! This is the Coushatta Grand Casino, one of the biggest in the country. It boasts 3,200 slot machines—about 800 more than the Bellagio in Las Vegas—as well as 80 table games and six casino-floor restaurants. There's a 500-room hotel, an RV park, and Koasati Pines, an 18-hole luxury golf course. Every day, thousands flock here to try their luck. On a recent spring afternoon, the casino's parking lot was packed with cars and special "Casino Express" buses from Houston (where gambling is illegal) disgorging passengers by the dozens. Outside the main entrance, a white stretch limousine idled as young valets in cherry-red uniforms dashed back and forth. Another car unloaded a group of twentysomethings. "Woooo! Party, party!" squealed a Jenna Bush look-alike as she scurried inside to greet the gaudy expanse of blackjack, roulette, and craps tables, as well as slot machines with names like Crocodile Cash, I.C. Money, Leprechaun Gold, and, fittingly, Reelin' 'Em In.

For disgraced Republican superlobbyist Jack Abramoff, this was a gold mine. Abramoff and his partner, Michael Scanlon, made $32 million over three years working on behalf of the Louisiana Coushatta Indian tribe, which operates the Coushatta Grand Casino. It seems like an amazing sum, until you consider that this once-destitute tribe of 837 people, formerly known for their intricate pine-needle basket-weaving, now reaps $300 million per year from this gamblers' paradise.

Washington has been obsessed of late with Abramoff's seedy lobbying tactics, his profane and Machiavellian e-mails, and his close ties to Tom DeLay and other congressional GOP leaders. But beneath the story of Abramoff's influence-peddling lies the phenomenon that fueled his spectacular rise and ultimate downfall: America's new class of Native American millionaires. Less than 20 years after it became legal, Indian gaming has become an $18.5 billion per year industry that is turning once-hopeless Indian paupers into rich casino moguls. Abramoff's former Coushatta patrons are a case study in how such casino riches can be as much a curse as a blessing—and how the mixture of big money and government regulation has led, inevitably, to an entirely new brand of political corruption.

IN THE MID-'80S, Indian tribes realized they could make good money running bingo operations on their reservations. After states tried to crack down, some tribes invoked their sovereignty in lawsuits. Several courts, including the Supreme Court, ruled in the tribes' favor. Congress saw the writing on the wall and, in 1988, stepped in to regulate Indian gaming, with the hope that a few slot machines might reduce tribal poverty and reliance on federal handouts. No one foresaw the nuclear chain reaction that would follow. Today, more than 250 of America's roughly 350 non-Alaskan Indian tribes host gambling, according to the National Indian Gaming Commission, including more than 400 bingo halls and casinos in 28 states. Connecticut's Mashantucket Pequot tribe now operates the world's largest casino, Foxwoods, which earns more than $1 billion per year in revenue. Indian gaming, as Connecticut's Republican Representative Chris Shays told *National Journal* in 2002, "has become a license to print money."

Like any other businessmen, casino-managing tribes understand that their profits can depend on connections in Washington. Over the past decade, tribes looking to main-

Continued on page 29

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

U.S. AIRLINES FACING CUTS IN PAY FOR PILOTS, DOWNSIZING

What's the impact of labor on the airline industry and what needs to be changed?

On May 23, 2005, *The New Republic* assembled a panel of airline industry experts to discuss and debate the impact of labor costs on the legacy airlines. Panelists explored the impact of airline mergers and the role of cargo airlines in an era of increased competition from low-cost carriers. Participants then discussed the rapidly evaporating pensions of many pilots and a need for airlines to adopt a long-term, stable and viable pricing policy. The following is an edited transcript:

THE PANEL

MARK KIEFER
Associate Principal,
Charles River Associates

DARRYL JENKINS
Visiting Professor,
The Aviation Institute
George Washington University

KIT DARBY
President,
Air Inc.

PAUL PAGE
Editor-in-Chief,
Traffic World

MODERATED BY

NOAM SCHEIBER
Senior Editor,
The New Republic

NOAM SCHEIBER: Let me start with Mark Kiefer to give a basic backdrop of the economic crosscurrents facing the [airline] industry right now, particularly post-Sept. 11, and the pressure from the low-cost carriers that the older carriers are facing.

MARK KIEFER: There really is a crisis in the aviation industry today. Taken together, the worldwide industry has lost [approximately] $36 billion since [2001]. A good portion of the industry is here in the United States, and so a good portion of those losses are as well. Certainly the tremendous drop-off in travel after Sept. 11 is a primary motivator of that, but unfortunately the industry has been hit with a number of other events that have been significantly challenging to the industry — the outbreak of SARS in Asia and other places, the war in Iraq and most recently the tremendous run-up in fuel prices that's probably eliminated any hope of profits this past year, at least [for] the so-called legacy network carriers.

What we're witnessing right now in the industry is ostensibly the effects of deregulation of the industry in 1978, which provided for route and fare competition, ostensibly catching up with the industry finally after all this time.

Another very significant event that's happened in the last few years is that the low-cost carriers, [such as] Southwest, JetBlue and so forth, have now come to have such significant market penetration that they compete on 70 percent or more [of] the routes with the so-called legacy network carriers that were founded before deregulation. This is a big challenge because they have [a] much lower cost structure and much lower fares. I think the legacy carriers are unable to compete in that environment, and that's contributed significantly to their losses. We're going to talk a lot about labor today, and I think labor already has played a significant role in the restructuring of the industry that's happened over the last few years with pretty significant wage and benefit concessions being offered.

Labor will need to play a continuing significant role in that restructuring, in large part because labor is the largest single portion of operating costs for the airlines, and pilots in particular make up the largest portion of that. We've heard just recently that all of the pension plans of United Airlines have been shifted to the Pension Benefit Guaranty Corp., which has very significant implications, both for the pilots of United Airlines, as well as taxpayers. That agency right now, with the assumption of United's pensions, is underfunded to the tune of [approximately] $20 billion.

MODERATOR: Paul, could you give us a very brief overview of the air cargo side of this? [They seem] to be doing a little better than the traditional legacy carriers. But could you talk a bit about some of the challenges they face?

PAUL PAGE: The cargo industry is very much the envy of the commercial airline industry right now. It's an industry that has, by and large, not missed a profitable step, even with the impact of Sept. 11, [2001]. It's also an industry that was pretty much created by deregulation and is a shining light, I think, of airline industry deregulation. And, in fact, FedEx was a proponent and one of the leaders in the genesis of airline deregulation in the late '70s.

It's not a pretty picture. Carriers such as Atlas Air, Kitty Hawk, World Airways and Evergreen International [Aviation] — which in their businesses are as well known as United and Northwest are among the passenger carriers — have either gone into bankruptcy or [are] close to it. But the big cargo carriers are a different story. UPS and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

FedEx together are on track to earn more than $5 billion in net profit this year. That's more annual profit than the airline industry as a whole has earned in any but a very small handful of years in its history.

These companies do compete on price, but they also compete on service, and they've also been focused very closely on their costs and how much it costs to handle and deliver every box. They know down to the penny how much profit is in every shipment. Both also are involved right now in what some would term fairly contentious labor negotiations, or at least fairly lengthy pilot negotiations.

MODERATOR: The largest share of airline costs is labor costs. And within that, the largest share is airline personnel. [Kit], could you talk a bit about what the future holds in terms of bargaining with, and the role of, airline personnel in making these companies profitable?

KIT DARBY: I am a pilot for United. I started with Braniff [International Airways], which [was previously in bankruptcy]. I'm in my third [airline bankruptcy] now. In the process I've been furloughed five times [and] out on strike once. The star on top of my union pin attests to that.

So we're always looking at this. We're advising pilots on where to make their career decisions. I made those same decisions myself for a pay and benefit package. I had a choice between four airlines simultaneously. I chose United [20 years ago] for their pension plan [and "A" and "B" funds]. Now that I'm two years from retirement and ready to collect [my pension], the deal is not quite going to produce the same results that [I] had planned.

In our study of pay and benefits, one thing comes to mind. We see the competition from low-cost carriers and we've always watched as new carriers come online. They do traditionally offer lower wage and benefits and mature into companies that have higher costs in the future. Many of these companies are pretty new, and it seems a bit unfair to compare the low-cost carrier to the large, established carrier, but it does produce an economic advantage that, if allowed to play out, will produce failures of pensions. Several domino effects are occurring. There is going to be tremendous consolidation, which has with it a cost for employees. Many [will start] over, many [will be] demoted and many [will lose] benefits, and it's very stressful for employees.

You're looking at a pilot [who has] taken a 42-percent pay cut and lost an [employee stock ownership plan (ESOP)]. I'm left with a "B" fund, and they've added a "C" fund. The value of the "C" fund is sufficient to fund my "A" fund. As a matter of fact, the "C" fund actually exceeds the value necessary to fund my "A" fund or defined-benefit program, which [has] now gone to the PBGC. And you're scratching your head saying, wait a minute, why would they end the fund and pay you a higher percentage? Because the arcane laws that we have that govern the defined benefit program require that we calculate it with a low interest value going forward, so greater contributions are required. If we get ahead, we can't capture it back right away; if we get behind we must catch up right away; and if we only have a portion of the benefit, we have to terminate the plan. We can't pay a portion of the benefit. That's how a person like me goes from a $75,000 a year retirement to a $35,000 a year retirement.

Paul Page:

"THE CARGO INDUSTRY IS VERY MUCH THE ENVY OF THE COMMERCIAL AIRLINE INDUSTRY RIGHT NOW. IT'S AN INDUSTRY THAT HAS, BY AND LARGE, NOT MISSED A PROFITABLE STEP, EVEN WITH THE IMPACT OF SEPT. 11, [2001]."

MODERATOR: Darryl, I was wondering if you could just take us briefly through the business travel aspect of this. Obviously that's a huge piece of the changing economics here. You're just not seeing businesses willing to invest in the kind of lavish business travel that was pretty commonplace in the late '90s.

DARRYL JENKINS: In 1998 when we had the best year we ever had, 40 percent of our revenue came from 8 percent of our travelers. Now, in an economic downturn, that 8 percent were the ones who [were] most likely to cut back and would have the biggest [impact] on your revenue. If during an economic downturn we lost 1 percent of our travelers, and that [1 percent] was part of that 8 percent, an airline [that] was making money would all of a sudden go under water. Now, that is not a sustainable long-term pricing strategy.

Now, I want to continue a point here [about] labor. Airlines [that] have better labor relationships also make money. Those airlines [that] do not have a consistent earning stream also have bad labor relationships and they suck at pricing, which I consider the biggest problem facing the airline industry right now, [which] is [its] inability to maintain a long-term, stable and viable pricing policy.

MODERATOR: So I guess one of the big questions is how much of this is sustainable and how much of this is just going to be [a] sort of constantly self-consuming environment. Can the new low-cost carriers that start up and basically drive down the profits of the legacy carriers become viable over the long term, or is it a situation where you compete for a couple of years, and all of a sudden you now have these same labor problems? You have rising seniority and things like that, and pretty soon you're going to be the victim of another low-cost carrier.

KIEFER: Well, I think one indicator of that is the fact that Southwest has been successful over the long term. They were founded in 1971. I think they didn't make money the next year. They've made profits every year since. And this is one of the most cyclical businesses in the world, and so that's not an un-noteworthy achievement — if I'm not using too many negatives there. But that's a big deal, is what we're saying. JetBlue is quite a young company in this business and they're also quite profitable. AirTran is profitable.

I think the ability of carriers like Southwest and JetBlue, AirTran and so forth, to compete over the long term is certainly there because they're ostensibly a product of the post-deregulation period. They have a cost structure that was motivated not principally by low cost, because of course deregulation brought in route and fare com-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

petition. And so I think carriers that are designed to be able to charge low fares are much more likely, or better equipped, to succeed in the long term. I don't necessarily see this problem extending to the low-cost carriers, but I will say that there will certainly be a convergence of wages at least, if not benefits — probably mostly wages — between the legacy carriers and the low-cost carriers. Their wages probably will come up in the long term.

MODERATOR: Kit, how much of this is a product of expectations?

DARBY: I don't know. A low-cost carrier has designed its retirement to be funded on an annual basis, which is not a defined-benefit program. That's an advantage. And they don't make a promise they can't fulfill. We should be clear, though, that it's not the same level of benefit. In other words, my 6 percent "C" fund yields the same amount that my "A" fund would if it were funded with the same amount.

Low-cost carriers come in with low wages, which are rising tremendously. If you draw the line on increasing wages at the low-cost carriers and increasing benefits in retirement, it will very quickly cross the majors, because just as they are growing and profitable, their employees also are unionized, becoming more demanding, trying to get the same wage and benefit levels, and [are] being successful at it. So the wage increase has been phenomenal during this down period. What's it going to be like during a good period?

So looking at a company at four years and comparing it to a company at 20 years, it's a very difficult comparison, but I'm uncomfortable saying that that's the standard because they're not static; their wages and benefits are increasing at a tremendous rate and will continue to. What I do see is a good wage for those pilots, and then the additional amount in the model after Southwest, where earnings beyond that are provided in a discretionary profit-sharing or stock option type of deal — not ESOP like United. [With] an ESOP, the problem is that you get the stock but you can't sell it [until] you retire.

The low-cost carrier pilot is actually the highest-paid pilot now. A Southwest pilot, if you look at his wages, is the highest-paid pilot for the size of equipment. And there is a relationship between the size of the plane and what you make.

MODERATOR: Let me just ask Paul for the view on the air cargo side. You mentioned FedEx and UPS obviously are doing better than the legacy carriers on the passenger side. How have they dealt with their labor picture and how have they managed to not let that totally bankrupt them?

PAGE: Well, some airlines have actually dropped pilots. They have scaled back wages and pilot staffing. So it's not an entirely beautiful picture, but the major airlines, UPS and FedEx, have been hiring. UPS is involved in a pretty relatively contentious labor negotiation right now, and they just announced that they're hiring 200 more pilots. So these guys have never really scaled back their pilot ranks to any large degree, and in fact have been adding [pilots] pretty regularly.

Kit Darby:
"SEVERAL DOMINO EFFECTS ARE OCCURRING. THERE IS GOING TO BE TREMENDOUS CONSOLIDATION, WHICH HAS WITH IT A COST FOR EMPLOYEES."

There has been no particular issue on pensions. I mean, it's a pretty simple, straightforward, good picture. There really hasn't been any negative news. Now, FedEx has an entirely different structure. They have a very complicated relationship with their pilots right now. They've actually got a pretty interesting offer right now where they're offering their pilots, who are in pilot negotiations, $500 million.

DARBY: For a 30-year career at FedEx in the last contract, [for] every pilot, their career value went up $2 million. It was a tremendous contract. Today [FedEx pilots] enjoy one of the better contracts and obviously will probably get a raise this time based on the success on the company.

PAGE: Their average pilot salary, I saw in some papers, [is] $175,000 for the average pilot.

MODERATOR: What is the problem if we shifted to an entirely low-cost carrier kind of industry? What will the loss to consumers be?

JENKINS: I am pretty sure we can't do that. Low-cost [and legacy] carriers have a number of things in common, one of which is the hub-and-spoke model. But some hubs are so large that you cannot run a low-cost production line on it because you're spending [a] half-hour taking off. You land, and your runways are so darn long that it takes you another half-hour to get to the gate. So that is an enormous loss of productivity.

At the same time, I don't think you need to, nor is that desirable [to have an entirely low-cost carrier industry]. I think there will be pressure on airlines to pull in costs partially due [to] the low-cost carriers. Right now I do not know a major airline that knows how to price and compete against a low-cost carrier, other than [by] going in and flooding the market with enormous amounts of capacity, which is a policy to maximize your losses.

We had this very long battle between Value Jet, which then became AirTran against Delta in Atlanta. AirTran made some very interesting strategic moves. They decided not to compete head-to-head against Delta on the routes. So they were flying to Akron, which was a very, very good route for them, [and] they were flying to Flint, Mich. They were kind of flying around the edges of Delta, and they were doing this until a couple of years ago. [So] Delta decided to start flying to Akron and Flint. They were not forced into this through the low-cost competing model; they did that to hurt AirTran.

So they go into all of these markets now, and so what does AirTran do? They whack them in Boston. So here is the easiest thing — and this is what I require some of my students to do in class so they really understand what is going on in the airline industry — watch the first season of "The Sopranos," and if you watch that and see how they act, you know everything you ever need to know about the airline industry. It's really that simple, and that is how these guys play against each other. The

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

idea is not that we are going to go out and make money; the idea is we are going to screw everyone around us, and this hurt us on cost.

JENKINS: The one thing that I would like to see airlines do going into the future that I really haven't seen them do — other than American — is become more operationally oriented. If we think of an airline business as a production line, there are many ways [that] we can get efficiencies out of this. At a certain point, you will see some airlines paying their pilots zero and [they'll] still [be] losing money. So somehow we have to find a way to bring out marginal efficiencies, which we have not yet done other than breaking every contract we have ever made.

(Moderator turns to the audience for questions)

QUESTION: With the potential acquisition of US Airways by Air West, I'm curious about what is going to happen to the pilots' salaries if that acquisition is finally approved. Do US Airways pilots lose their seniority status in this merger?

DARBY: There are so many ways to do this. Everybody thinks it is going to be straight seniority; well, in this case, it is clearly not because all of the US Airways guys are on top. I guarantee both sides will be [upset], and I'll guarantee you there will be a lawsuit over whatever is resolved, but it is doable. Because the expectation of US Airways was so low, they were about to fail just like TWA pilots. I mean, none of them are happy and many of them are on the street now, but at least they may have something to go back to some day. They were about to have nothing and US Airways was about to have nothing.

QUESTION: [There is a] pilot mindset of, "I am going to move up soon, or I am going to move across to the command seat, or I am going to move up to a bigger airplane." But I am wondering, has it started to change over the last couple of years now, that for a pilot moving up to a 747 and staying in a Holiday Inn near Paris instead of a Holiday [Inn] near Des Moines, [Iowa], isn't the goal; the goal is staying at work?

KIEFER: For US Airways pilots, [the question] is, "Do I potentially keep a job [that] might wind up being a lower salary and benefits package versus not having a job?" Seniority is everything in the business, so if you lose your seniority, you're talking about starting over. And [a] number of these airlines — US Airways in particular — have [an] enormous number of pilots on furlough right now, so there [are] folks in line before you.

DARBY: Once all of the bones hit the table and everybody has got a position on the escalator again, then we are right back to the same game we have always had. So regardless of how much angst there might be in taking your place on the escalator, everybody is one behind the other, there is no passing, and you move up with the time-

Mark Kiefer:

"I THINK CARRIERS THAT ARE DESIGNED TO BE ABLE TO CHARGE LOW FARES ARE MUCH MORE LIKELY, OR BETTER EQUIPPED, TO SUCCEED IN THE LONG TERM."

off flexibility, equipment, compensation — whatever it's going to be.

QUESTION: If you fix the pricing, fix the pensions [and] change the routes, can Delta avoid bankruptcy?

DARBY: We hate to talk about problems without solutions, but everything that I have talked about is easily fixed. It's fixable; give it 25-year amortization and it doesn't end; let it fund less than 100 percent and pay what you have — all very logical, simple solutions. Does anyone here think we can get our Congress to make that change anytime soon? Probably not, but who in the world designed this thing? They must have been brain dead to think that a major airline could never be insolvent and not see that all of the protections they put in made insolvency end the programs they are trying to protect.

I don't see a problem attracting people or staffing. These are still good jobs. So the system is going to function. The next tough swallow for all of the airline employees [is] going to be these mergers, which as you can see — with the effects of seniority — are just going to be suicide for them to think about; they would almost rather kill themselves than do it, but they are going to have to do it. I don't think they have any control over it but there is another bitter pill coming.

KIEFER: Delta, I think, is a pretty troubling case. I think whatever we're talking about would have to be done really soon because they have said publicly [that] they are basically out of money. They have tremendous debt now, they have exhausted all of their credit and they have almost no cash.

There are other unforeseen events that may change that picture, one of which would be a dramatic decrease in oil prices, [but] that doesn't seem to be on the horizon. [Delta has] talked about trying to focus their strategy on their international routes [because] those are likely to be more profitable.

PAGE: Are they an attractive merger candidate?

KIEFER: With a balance sheet like they have right now, I'm not sure. And I think you have an issue with any merger of a carrier that size that you really have to be talking about something where you have complimentary networks. That is something you also had, by the way, with America West and US Airways.

MODERATOR: I think on that note, we'll wrap it up. Thanks so much to all of the panelists and everyone for stopping by.

To view the complete transcript from the event online go to:
http://tnr.com/panel/tnr_on.mhtml

SPONSORED BY

FedEx Express

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tain their gambling licenses, win political advantage over potential rivals, and protect their tax-exempt status have showered ever more money on Congress. Pre-gambling, tribal donations were insignificant. In the last election cycle, though, they topped $10 million, according to a recent *Congressional Quarterly* analysis; many millions more flow to state and local officials. (Even vaster sums now go to lobbying, as Jack Abramoff well understood. In a December 2002 e-mail to Scanlon, he wrote: "[W]e really need mo money. ... We are missing the boat. There are a ton of potential opportunities out there. [T]here are 27 tribes which make over $100M a year. ... [C]an you have your guys do the research and find out which tribes these may be?. [*sic*] We need to get moving on them.")

It's hardly surprising that this largesse should produce scandal. And the Abramoff saga is hardly the first—nor are Democrats untainted. In fact, Indians have long preferred Democrats, who, last year, received two-thirds of tribal congressional donations, according to the Center for Responsive Politics. One of the major Clinton-era scandals involved an independent counsel investigation into whether $350,000 in tribal contributions to the Democratic National Committee had influenced an Interior Department ruling on a Wisconsin casino license.

Indeed, while the Interior Department may sound like the dullest of federal agencies, its power to approve tribal casinos has made it the locus of a new generation of political sleaze and intrigue. Officials at Interior's Bureau of Indian Affairs (BIA) are under enormous pressure from tribes desperate to get rich. For instance, California's tiny Ione Band of Miwok Indians, who are seeking to build a $100 million casino, mysteriously added several BIA regional employees and dozens of their relatives to their membership rolls—making them potentially eligible to share in future casino profits. Amid such antics, the Bureau's last chairman, Dave Anderson, abruptly resigned this winter amid conflict-of-interest charges involving his past partnership with a Minnesota gambling mogul.

The Interior Department's importance wasn't lost on Abramoff. He had his tribal clients donate at least $225,000 to the Council of Republicans for Environmental Advocacy, an Orwellian-named pro-business group founded by George W. Bush's Interior secretary, Gail Norton, and run by one of her former campaign aides. The purpose of these contributions seems clear from Coushatta documents, which explain the significance of every Coushatta donation ("Senate Appropriations," for instance); following the Council's name was simply the tag line "(Norton)." As reported by *The Washington Post*'s Susan Schmidt, when the Coushattas were hoping the Interior Department would reject the 2002 casino bid of a rival Louisiana tribe, the Jena band of Choctaws, Abramoff arranged a face-to-face meeting between Norton and the Coushatta chairman, Lovelin Poncho, at a Georgetown dinner. Abramoff also enlisted dozens of House and Senate conservatives to send Norton letters opposing the Jena casino, and—with the help of Ralph Reed—got a top aide to Christian evangelical leader James Dobson to do the same. (It's no wonder Abramoff knew his way around Interior: He helped organize the Department during the 2001 Bush transition.)

Casino-gaming tribes themselves seem to have no qualms about such slippery politics. For instance, Coushatta records reveal that, in 2002, the tribe sent a $10,000 check to America 21, a Nashville-based Christian-values group chaired by former Republican Representative Helen Chenoweth-Hage. The group's website says its mission is "to educate, engage, and mobilize Christians to influence national policy at every level." Given the near-uniform opposition of Christian activists to gambling, the Coushatta check was a curious act of generosity. The group's then-president, Thomas J. Smith, told me that "all donors give to us because they want moral values to be a part of the decision-making in Washington." Asked what moral values a tribe with a lucrative casino had in mind, he replied, "I guess you'd have to ask them," and abruptly hung up. In fact, in 2002, America 21 opposed a Tennessee referendum that would have created a state lottery, which would have dealt a potential blow to another Abramoff tribal client based in neighboring Mississippi. The Coushattas, it seems, wrote their check to America 21 because it would help Abramoff's other clients in Mississippi. This is what passes for tribal solidarity in the era of Indian mega-casinos.

THE STORY OF the Louisiana Coushattas also reveals another hard fact about the new age of tribal gaming: Indian casino money isn't just corrupting politics. It's also corrupting the tribes themselves.

"Coushatta" means "lost tribe." Its story begins with the Koasati tribe, which was based along the Tennessee River in present-day Alabama. In the 1780s, white settlers forced out the Koasati, who scattered across the Deep South. One splinter group of 80 to 100 tribe members resettled near Kinder and assumed the Coushatta name. Some 200 years of what a tribal history calls "hopelessness" followed. For much of the twentieth century, the Coushatta reservation was a grim slum with scant indoor plumbing. "We struggled," one elderly tribe member told the New Orleans *Times-Picayune* in 2001. "I went barefoot. I dropped out [at 16] when I got too old to go barefooted." But legalized tribal gaming radically altered the tribe's destiny. The Coushatta Grand opened for business in 1995, and these former basket-weavers found a new identity in blackjack tables and slot machines.

Even before Abramoff came along, however, the impact of casino money around Kinder was mixed. The upsides are clear enough. Coushatta members get to share their casino's vast lucre, which covers every member's health care and education costs. Every family gets $60,000 to buy a house, and every tribal member gets a quarterly stipend. The stipend's size is a secret, but I got a hint when I met

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

with one tribal member, whose only trade is "storyteller." He pulled up in a sleek white Mercedes SUV.

The downsides are obvious, too. Drunk-driving arrests nearly tripled in the area in the years after the casino opened. And big money apparently corrupted the tribe's leadership. One former tribal council member, Bertney Langley, says that tribal funds were used in 1997 to hire a hit man to kill him after he complained about management of the casino. Documents also show that the tribal council paid Scanlon $525,000 to conduct detailed surveillance on various perceived rivals. Revelations last year about Abramoff's and Scanlon's fees (which were taken from tribal health and education accounts) touched off a political civil war within the tribe, including an effort to force Poncho's resignation and at least one tribal meeting that devolved into angry chaos. Poncho, who has since left the council, even sought a restraining order to stop other tribal members from blocking his access to tribal offices.

After all this, the Coushattas are now facing their worst nightmare. Last month, a $365 million casino complex opened an hour closer to Houston than Kinder. This, ironically, was just the sort of thing Abramoff was paid to prevent. The impact on the Coushattas' revenue could be devastating, leaving the tribe mired in vice and mistrust—but without its gold mine.

UNDOUBTEDLY, THE TRIBES for whom Abramoff and Scanlon worked feel ripped off. "They [lobbyists] may wear expensive suits and fancy shoes, but their greed, scare tactics, and unscrupulous behavior is the same our people have faced for generations," one tribal leader from Michigan told the Senate Committee on Indian Affairs last year. That may be so. But this story also involves a food chain of victimhood. And, in some sense, these tribes weren't victims at all—they were perpetrators of political corruption, all too happy to buy off elected officials and use cutthroat tactics in their quest for jaw-dropping profits.

What's more, it's worth remembering where the millions that Abramoff and Scanlon made came from: casino gamblers, many of them low-income Americans who hardly benefit from the explosion of gaming on the nation's Indian reservations. This was clear enough from a visit to the Coushatta Grand Casino. On the casino floor, a hypnotizing muzak, which sounded like a heavenly harp whooshing over an ever-ringing bell, played incessantly. This was meant to be the sound of winning, but, as with all casinos, most people here were losing. I saw one thirtysomething woman at a pay phone trying to arrange a wire transfer of cash. "Route it through my checking account," she said curtly. "Ain't nobody in that office that can override and send me some money?" Evidently the answer was no. She slammed down the phone and stalked off. In an elemental way, people like this were always Jack Abramoff's real "clients"—and they are probably the biggest losers in this whole sordid story. ■

The Rabbis to the right.

Torah Cover

BY FRANKLIN FOER

DANIEL LAPIN IS an unlikely business guru. He doesn't have an MBA or a distinguished record of financial wizardry. His largest venture into the world of commerce, running a firm that traded in second mortgages, ended in bankruptcy court, with Lapin owing nearly $3 million. Yet this history hasn't stopped Lapin from dispensing business wisdom, and it hasn't stopped corporations from paying him thousands of dollars to give motivational speeches. That's because Lapin draws on another source of authority when making his presentations to executives: his yarmulke.

In addition to his career as a speaker, Lapin is an orthodox rabbi descended from a long line of Talmudic scholars. So it is doubly startling when he begins presentations with remarks that you might expect from a devoted watcher of Al Jazeera: "I don't need to tell you that, historically, Jews have been pretty good with money." He then proceeds to tell his audience how they can earn money just like a Jew. "You don't have to be Jewish to have access to the lessons of wealth that have been part of traditional Jewish culture for centuries," he wrote in his 2002 book, *Thou Shall Prosper: Ten Commandments for Making Money*.

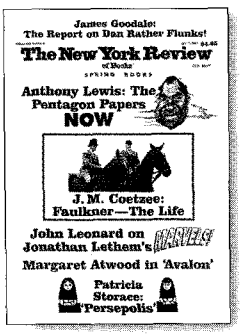
While the Lapin family has long specialized in churning out rabbis, it has only recently expanded into the production of rabbinic business advisers. Daniel's brother and fellow rabbi, David, has a company called Strategic Business Ethics (SBE). (His firm cleverly bucks millennia of Judeo-Christian theology, which has viewed ethics as an end to itself, not as strategy.) On its website, SBE trumpets: "Rabbi Lapin holds audiences spellbound as he shares his knowledge and experience of life at the intersection of clashing worlds: ancient Kabalistic wisdom and modern business solutions." Indeed, over the years, Daniel and David Lapin have shared their knowledge and experience with quite an impressive set of audiences, including Nordstrom, Amway, Boeing—and, most notably, the Washington lobbyist Jack Abramoff.

The Lapin brothers are the Dr. Frasier Cranes of the Abramoff scandal—bit actors who appear so often that they deserve their own series. It was Daniel who first introduced Abramoff to House Majority Leader Tom DeLay, making a match that went on to transgress congressional ethics codes and now stands at the center of Senate inquiries. When Abramoff opened the Eshkol Academy, a Maryland yeshiva funded by his unwitting Indian tribe clients, David served as the school's dean. And, thanks to Abramoff—hardly the man, it turns out, that you would

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

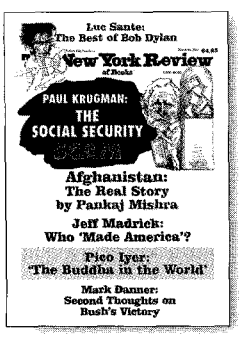
SAVE MORE THAN 65% ON A SUBSCRIPTION TO:

"The pre-eminent intellectual newspaper in English."*


James Goodale:
The Report on Dan Rather Flunks!
The New York Review
of Books
Anthony Lewis: The Pentagon Papers NOW
J. M. Coetzee: Faulkner—The Life
John Leonard on Jonathan Lethem's
Margaret Atwood in 'Avalon'
Patricia Storace: 'Persepolis'

The New York Review of Books is widely regarded as the world's most distinguished intellectual—and yet accessible—magazine. Each biweekly issue engages some of the world's sharpest minds in the most passionate political and cultural controversies of the day, and reviews the most engrossing new books and the ideas that illuminate them. Recent contributors include:

NEAL ASCHERSON • MARGARET ATWOOD • A. S. BYATT • JULIAN BARNES • IAN BURUMA
JOHN BANVILLE • NOAM CHOMSKY • J. M. COETZEE • ANITA DESAI • JOAN DIDION
UMBERTO ECO • JAMES FENTON • MICHAEL FRAYN • VÁCLAV HAVEL • DAVID LODGE
ELIZABETH HARDWICK • SEAMUS HEANEY • MICHAEL IGNATIEFF • DORIS LESSING



With this limited offer, you'll receive:

➤ **Free Book:** *Reading and Writing: A Personal Account* by Nobel Prize winner V. S. Naipaul. In this literary autobiography Naipaul sifts through memories of his childhood in Trinidad, his university days in England, and his responses to his family's native India, seeking the experiences that shaped his imagination.

➤ **A year's subscription at more than 65% off.** You'll enjoy a full year's subscription of 20 issues for just $34—a savings of over 65% off the newsstand price.

➤ **A No-Risk Guarantee.** You may cancel your subscription at any time, for any reason. We will refund you for the remaining unmailed issues. *Reading and Writing: A Personal Account* is yours to keep as our gift to you for trying our publication.

**Esquire*

The New York Review of Books

Return to: PO Box 23022, Jackson, MS 39225-3022

☑**Yes!** Please start my introductory one-year (20 issue) subscription to *The New York Review of Books* for only $34. I save over 65% off the newsstand price, and with my paid subscription I will also receive *Reading and Writing: A Personal Account*—a $16.95 value—FREE. And I understand that I may cancel at any time and will be sent a refund for the unused portion of my subscription.

Name: _____

Address: _____

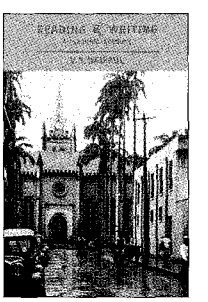
City/State/Zip: _____

NS05DNRR0

❑ $34 check enclosed* Charge my: ❑ AmEx ❑ MasterCard ❑ Visa ❑ Bill me

Credit Card Number: _____

Expiration Date/Signature: _____



FREE
with this offer!

For faster service, fax your credit card orders to: (601) 353-0176.
Please include your own phone and fax number in case of questions.

*Make checks or US money orders payable to *The New York Review of Books*. We accept US Dollars drawn on a US bank, Canadian Dollars drawn on a Canadian bank, or Pounds Sterling drawn on a UK bank. We cannot accept international money orders. Credit card orders will be charged at US Dollar rates shown. **Rates Outside the US:** Canada: $56US/$77.25CDN. Rest of World: $66/£39. Air Mail (recommended for outside Europe): $93/£58. Please allow 6 to 8 weeks for delivery of your first issue.
This offer is for new subscribers only. Offer expires December 31, 2005.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

want vouching for your ethics consulting firm—David brought ancient Kabalistic wisdom to bear in the Commonwealth of the Northern Mariana Islands (CNMI), one of the lobbyist's benefactors. The Marianas' government paid the rabbi's firm $1.2 million.

While the Lapins might not loom as large in the narrative of the scandal as Ralph Reed or Grover Norquist, they help resolve one of its essential mysteries. How could Abramoff, an ostensibly pious man who opened kosher restaurants and donated vast sums to charities, justify bilking naïve clients and trampling lobbying laws? What kind of rabbis, in other words, would provide guidance to a man like that? The Lapin brothers, that's who.

EARLY THIS SPRING, I met Daniel Lapin at a Washington hotel, where he was addressing a meeting of the Family Research Council, a Christian conservative group. Lapin is a bearded man with a South African accent, which distinguished him from the preachers milling about the lobby. To obtain an interview, I had pledged not to ask him about Abramoff, and, in our conversation, he volunteered only a few indirect comments on the scandal. "Everyone—you, me, and Jack—are a complex mix of strengths and flaws," he said solemnly. But Lapin was less reticent when the subject turned to himself. Placing his gray fedora on a table, he began to describe the windy route that led him to that day's evangelical gathering.

After growing up in Johannesburg and studying at a Jerusalem yeshiva, Lapin, in his twenties, followed a wave of white emigration from South Africa and landed in Los Angeles. He quickly grasped the opportunities for spiritual entrepreneurship in his new country. With the film critic Michael Medved, Lapin restored a superannuated synagogue on the Venice Beach boardwalk, and the congregation soon acquired cachet. Barbra Streisand's son celebrated his bar mitzvah there. (Lapin later served as a technical adviser on *Yentl*.) And, although his death indefinitely postponed the occasion, the nonagenarian billionaire Armand Hammer had planned to hold his own belated bar mitzvah at Lapin's synagogue. As a profile of Lapin in *Eastside Week* put it, the synagogue "grew quickly into a glamorous and intense place."

But, after a decade, the community began to fray. Congregants complained about Lapin's authoritarian style. "[S]ome unorthodox practices generally associated with cults turn up in account after account of life at [the synagogue]," the *Jerusalem Report* alleged in 1991. There were also financial problems. Lapin had declined a salary for his rabbinic duties, preferring to make a living from real estate deals. But his investments, some of which included congregants' capital, performed poorly. A month before his firm filed for bankruptcy, he resigned his pulpit and relocated to Mercer Island, Washington.

Grasping for a new mission, Lapin thought back to his rationale for moving stateside. On a previous road trip across the United States, he had noticed 19 towns named Salem. "I also started seeing all these Jerichos, Hebrons, and Zions, and a slew of other Hebrew names. I called home—in those days, a transatlantic call wasn't what it is now—and I said, 'It's amazing.'" He couldn't believe the philo-Semitism of Middle America—evangelicals who didn't just tolerate Jews, but actually adored them. ("The Bible Belt is the Jewish safety belt" is one of his mantras.) So why, he wondered, did Jews ungratefully persist in complaining about prayer in schools and crèches in public squares?

Around the time he left Los Angeles, he started a group called Toward Tradition—turning the title of Michael J. Fox's *Back to the Future* on its head. Although he says it promotes "practical Torah solutions to modern American problems," it really intends to broker an alliance between Jews and evangelical Christians over social issues. (Lapin, who considers Israel to be founded by "secular Bolsheviks," has mostly steered Toward Tradition clear of foreign policy.) Toward Tradition emerged at a propitious moment, just as evangelicals carried the Republicans to their 1994 victory. And the group soon had as much cachet as his Venice Beach temple. Its inaugural conference drew Irving Kristol, Norman Podhoretz, and other luminaries. Many of them lent their names to an ad Lapin placed in *The New York Times*, offering Newt Gingrich a hearty "Mazel Tov" and saying of the Contract with America, "We know all about ten point contracts."

Fulsome praise wasn't all Lapin offered conservatives. Some on the right have an unfortunate tendency to blurt out the occasional anti-Semitic remark, creating firestorms that require defusing. So Lapin made it his business to defuse. When Pat Robertson came under attack in 1995 for his ravings about Jewish financiers, Lapin leapt to the minister's defense. "[Robertson]'s foolishness-per-volume rate is, for example, far, far lower than that of Vice President Al Gore," he told the *Forward*. After Pat Buchanan questioned the magnitude of the Holocaust, Lapin retorted in the *Jewish Week*, "Is it really worthwhile getting all of Jewish America in a dither over the question of whether 5.9 million or six million Jews died?" More recently, Lapin waxed lyrical about the virtues of Mel Gibson's *Passion of the Christ*.

Conservatives have rewarded Lapin for taking on these thankless assignments by turning him into a minor icon. He headlines the Christian Coalition's Road to Victory gatherings. In April, he deployed his silky oratory at Justice Sunday, a telecast where preachers lined up to lambaste Democrats for filibustering George W. Bush's judicial nominees. And, when Bush gathered clergy for discussions of his faith-based initiative in December 2000, Lapin was the only rabbi invited. Earlier this year, Lapin achieved an even greater distinction—providing a blessing at the wedding of (the unmistakably gentile) libertarian impresario Grover Norquist, who was marrying a Muslim. Judaism, though, was beside the point. Lapin was there in his role as rabbi to the right.

DANIEL LAPIN'S ALLEGIANCE to conservatism extends to economics. He'll hurl a verse from Leviticus to justify estate tax abolition. His financial self-help book is an Andrew Carnegie–style

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

gospel of wealth delivered in a *hamische* accent: "Don't be embarrassed to admit that you want more money." He excoriates the press for "denigrat[ing] business" and suggesting that "business professionals need to be restrained from committing crimes in their single-minded pursuit of profit." No wonder Jack Abramoff fell into his arms.

Abramoff's relationship with the Lapins dates to Johannesburg in the 1980s, when he met David while making the movie *Red Scorpion*. Over the years, the lobbyist and the Lapins helped one another with their various ventures. Abramoff, for instance, served as Toward Tradition's chair—writing checks to the group and helping solicit others. And, when Abramoff needed the brothers, they would lend him a hand. Abramoff liked to masquerade his lobbying efforts as ideological crusades, portraying parochial issues like Indian gambling as bedrock conservative concerns. To this end, he could count on Daniel to present clients, like Microsoft and Channel One, as avatars of Mosaic values. In a *Washington Times* op-ed, Daniel wrote that the government will "undermine our economy by destroying excellent companies like Microsoft."

David, meanwhile, struck up a closer business relationship with Abramoff: The rabbi appears throughout the billing records Abramoff sent to his client, the Northern Mariana Islands—a chain of U.S. territories in the Pacific that wanted to retain its special legal status, which permitted sweatshops to set up there, pay far lower than minimum wage, and still stamp garments MADE IN THE USA. According to the documents, Abramoff billed for near-daily calls to David. This wouldn't be such a big deal—except that Lapin was an unlikely comrade in Abramoff's struggle to stave off changes in the CNMI labor law, given that he was, at the time, a Johannesburg rabbi.

That's not to say that Abramoff exploited the Lapins like an Indian tribe. They benefited plenty from his patronage. The lobbyist paid David more than $60,000 to serve as the dean of his Maryland yeshiva, even though the rabbi had taken up residence in Los Angeles and only visited the school every month or so. "He was an absentee dean," says Robert Whitehill, who taught at the school. "I can't say that I saw much of him." Abramoff also tossed business in the direction of David's SBE. According to its website, the rabbi's firm consulted for the Pearl River Resort, owned by Abramoff's client, the Choctaw Indians.

Abramoff brokered another contract for David Lapin with the CNMI. Beginning in 1996, Lapin would fly from Johannesburg to hold seminars with the CNMI civil service. Lapin claims his work resulted in proposed legislation that would have increased the island's minimum wage. But, according to CNMI officials, that bill never passed. Pam Brown, the islands' former attorney general, wrote in an e-mail to me: "I have spoken with no one familiar with the 'services' provided by Mr. Lapin that can point to any benefit to the CNMI. One did report that he did travel often but that such travel was in first class accommodations on the government's dime." For this work, he earned a $1.2 million paycheck.

DAVID LAPIN IS now suffering for this success. Ever since the *Times* exposed the windfall the rabbi reaped from his CNMI work, he has been furiously distancing himself from Abramoff in an attempt to salvage his business from the taint of the connection. "Our contact has been sporadic," David says of Abramoff. He insists that he merited his Marianas million. Indeed, David now even seems to view his brother as a liability. "David Lapin has no relationship to Mr. Tom DeLay, nor is he in any way involved in his brother Daniel's organization, Toward Tradition," reads a statement on SBE's website.

But, if David Lapin is sweating over the Abramoff scandal, Daniel Lapin is positively sanguine. It's true that, over the years, Daniel has alienated a broad swath of the Jewish community with his flip dismissals of anti-Semitism and his frequent proclamations that make it sound as if American Jews, with their "anti-Christian" bigotry and "secular fundamentalism," are almost asking for a pogrom. ("You'd have to be a recent immigrant from Outer Mongolia not to know of the role that people with Jewish names play in the coarsening of our culture," he recently wrote on *OrthodoxyToday.org*. "The sad fact is that through Jewish actors, playwrights, and producers, the Berlin stage of Weimar Germany linked Jews and deviant sexuality in all its sordid manifestations just as surely as Broadway does today.") The Progressive Policy Institute's Marshall Wittmann says, "I'm not sure that he has a Jewish following anymore."

But Daniel Lapin doesn't need one, because his evangelical following—won over, in part, with help from Abramoff—has more than compensated. And not even the Abramoff scandal, it seems, could lessen evangelicals' devotion to him. In Washington, at the Family Research Council, Lapin provided pastors with a crackling exegesis of Genesis. The Bible's opening book, he argued, presented competing visions of social organizations. There was the Tower of Babel, a "vision of centralized control and atheism." By contrast, the Abrahamic model represents "freedom, independence, and restrained government."

As we spoke in the hotel lobby after this presentation, the Family Research Council's president, Tony Perkins, interrupted. "I hope you felt comfortable," he said hesitantly. Lapin responded in mock horror, "Yes, in a room filled with so many avowed anti-Semites." He chuckled. Other pastors kept approaching him and pumping his hand. "That was awesome," a Texas preacher crowed. One of his South Carolina colleagues followed. "Do you speak at churches?" he asked. "All the time," Lapin replied. "Would you come to my congregation in Columbia? They need to hear what you have to say." The rabbi extended his hand forward so that his jacket rode up his sleeve. He smiled broadly. "Twist my arm," he said. ■

Subscribe
to The New Republic at www.tnr.com/subscribe.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

BOOKS & THE ARTS

STANLEY KAUFFMANN ON FILMS

Looking for Laughs

FOR SOME YEARS THERE WAS A special relationship between Jane Fonda and me. In 1962, a year in which she was in three films, I disregarded the unexceptional pictures themselves and wrote about the arrival on screen of an exceptional talent with an auspicious future. For this review I was roundly razzed by friends and others for taking Fonda seriously. So I took extra pleasure in most of the subsequent Fonda performances—for example, *Cat Ballou*, *They Shoot Horses, Don't They?*, *Klute*, *Coming Home*, *Comes a Horseman*, *The China Syndrome*. I enjoyed fantasizing that whatever the film as a whole might be, Fonda was resolved to support my case with sterling work.

MONSTER-IN-LAW
(New Line)

APRÈS VOUS
(Paramount Classics)

As for her political activity during the Vietnam War, I thought it sometimes a bit foolish but always rightly meant. (In 1974 I even went to a screening of her documentary *Introduction to the Enemy* one Sunday morning because it was my only chance to see it and to hear her introduce it.) Fifteen years ago, when she announced her retirement from acting, I regretted it but rationalized it: besides her private reasons, she was avoiding the perennial problem for aging female stars—adequate roles.

Now Fonda is back, in a comedy called **MONSTER-IN-LAW**, in a role designed for an aging female star. She plays the viperous mother of a son who is marrying a girl she doesn't like. In advance I feared that she would be the victim of her retirement, and this turned out to be true. The edge is gone. It happens fairly often with good actors who quit and later return—Michael Caine and Sidney Poitier, for instance. Poitier has now retired, but Caine keeps proving that he is not the actor he was, and his absence was much shorter than Fonda's. A musician who had not played for years would not expect to resume at his former level: some actors think they can.

All through this negligible film Fonda makes blatant faces and scores trite points. Of course she is in a cartoon role, not quite like anything she has done before. But she played broad comedy in *Period of Adjustment* and *Cat Ballou* and *Barefoot in the Park*, and did it well. The difference is that in those days she believed in acting. She doesn't seem to believe in it anymore, in the quintessential eagerness for truth that makes an actor shun cliché. Truth, rather than hand-me-down readings and gestures, used to be one of her hallmarks. Her performance in this film is a collection of reactions, vocal whoops, and pouncings that we have seen often before in lesser actors.

Well, at least she didn't let me down back then.

On the other hand, the French actor Daniel Auteuil continues to provide a sort of pleasure once available from Fonda, a filmgoing pleasure too often scanted. Whatever the quality of an actor's films, we can watch him or her progress. This was once commonly possible in the theater, and it is still possible in cities where there are resident companies. Film, in the cases of a happy few who are genuinely talented and fortunate in casting, can give us the same luxury.

Auteuil, born in 1950, has been in films since the mid-1970s, in pictures that naturally have varied widely in type and quality. In every one I have seen he has been outstanding. I mention only two, *Lucie Aubrac*, in which he played a Resistance fighter, and *The Widow of St. Pierre*, in which he played an army officer undone by compassion; and I cite those two ultra-serious roles because his latest, **APRÈS VOUS**, is a farce.

This certainly is not an instance where the picture itself must be put aside. Pierre Salvadori, who wrote the screenplay with David Colombo Léotard, has been directing since 1993, and some of his past work, we are told, was dark. Here, however, he carries on the resplendent French tradition of featherweight comedy—a story that invites us to admire its twists even as those twists amuse us. The métier, which began before Molière, flourished wonderfully with such men as Feydeau and Courteline and Labiche; and it keeps going. Other countries have contributed plentifully, but the words "French" and "farce" seem to go together in more than alliteration.

When a farce starts well, the viewer's immediate worry is: can they keep it up? Salvadori and friends certainly do. The start—daringly enough—is an attempted suicide. Antoine, the maître d' in a smart Paris restaurant, is on his way across a park one night when he sees a man under a tree with a rope tied to a branch and a noose around his neck. The man kicks a suitcase out from under him, and Antoine rushes to save him. Antoine grabs the man's legs and lifts, but the man, intent on suicide, claws at Antoine's face. The first comic moment is Antoine swearing at the man, who is tearing Antoine's hair while Antoine is trying to save him.

He does save the man, who is called Louis and who is disconsolate because he is out of work and homeless, and his girl has jilted him. Naturally—in a farce, anyway—Antoine invites him home for the night, and inevitably it turns out to be more than a night. Louis wakes in the morning still disconsolate and is worried now because he had sent his grandparents a letter announcing his death. A hurried expedition then to deal with the grandfolks, after which Antoine, with some coaching, gets Louis the job of sommelier in the restaurant where he works. Results amuse. Helpfully, too, Antoine finds the address of Louis's lost girlfriend, and this of course leads to more complications.

Unusually for a soap-bubble film, *Après Vous* runs almost two hours and very nearly sustains its length. Five min-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

utes of condensation toward the end would have benefited it. But Salvadori floats everything, hammers nothing, and gets maximum buoyancy out of Camille Bazbaz's jaunty music. Sandrine Kiberlain is pleasant as Louis's ex-girlfriend who also becomes the ex of others. Marilyne Canto, Antoine's girlfriend, is decreasingly patient with the mix-ups he gets into. José Garcia as Louis has all the (frequently) mute appeal of an abandoned dog.

And then there is Auteuil as Antoine. Quite unlike the latter-day Fonda, he believes thoroughly in what he is doing and in the way he must do it. His conviction doesn't make this film a farce in an otherwise serious world: it converts the whole world into a farce. His very intensity about Antoine's dilemmas helps to keep the soap bubble aloft. ■

Jackson Lears

The Magicians of Money

A history of the world according to Wall Street.

EVERY MAN A SPECULATOR: A HISTORY OF WALL STREET IN AMERICAN LIFE
By Steve Fraser
(HarperCollins, 721 pp., $29.95)

I.

CLASS PRIVILEGE IS UN-American. So is talking about it. For much of our history, comfortable Americans have (wittingly or not) underwritten their own economic power by denying it, insisting that the very category of class simply could not survive in the free atmosphere of American democracy. "If you had any conception of the true American spirit," Theodore Roosevelt wrote to an Irish critic in 1886, "you would know that we do not have 'classes' at all on this side of the water." The "true American spirit" was a solvent of social distinctions. All that was solid in the Old World melted into air in the New.

Yet this sort of mystical nationalism has not been the only way of thinking about equality (or the lack of it) in America. More realistic alternatives have flared up from time to time—more realistic, that is, in their effort to account for the new forms of privilege created by organized and inherited capital. The most significant alternative tradition arose from the republican ethos of the revolutionary generation. It fostered an egalitarian suspicion of concentrated wealth and power, a strain that surfaced in Andrew Jackson's assault on the Second Bank of the United States, in Populist and Progressive efforts to tame "the money power," in Roosevelt's own patrician disdain for "malefactors of great wealth," and in his cousin Franklin's denunciations of "economic royalists." Seldom did these reformers resort to the language of class—it was too redolent of slogan-ridden socialist speeches, too foreign, too un-American; but they remained attuned to structures of privilege. Whether they aimed to break up or merely to regulate monopoly, they recognized the dangers to democracy posed by powerful agglomerations of organized capital. And they put the taming of irresponsible wealth at the top of their agendas.

How antiquated those agendas seem now. Since the rise of Reagan, we have entered a bizarre new era in our public discourse. While the American denial of structural economic inequalities has a long history, in recent years the rhetoric of denial has acquired a stunning new boldness and reach. Conservative ideologues have redefined class as a matter of cultural style, and the punditocracy has obediently followed suit. In political campaigns, questions of economic justice have been concealed by chatter about consumer taste. Politicians who represent the interests of the wealthy have perfected a pseudo-populist posture, persuading credulous journalists that they prefer Budweiser to pinot—and that this somehow matters with respect to public policy.

One consequence of this extraordinarily successful strategy is that our indigenous Progressive tradition has virtually vanished from public discourse. Its key words and phrases have become Orwellian self-parodies. "Economic reform" means no longer the taming but the unleashing of capital. "Special interests" are not plutocrats but labor unions and welfare mothers. The specter of "class warfare" arises whenever any public figure alludes to the influence of privilege in the shaping of policy. The notion that unregulated markets might have something to do with economic inequality has been banished from the precincts of responsible opinion by pundits repeating the mantra of "democratic capitalism."

AT THE CENTER OF THIS SEA change has been the elevation of the stock market from "speculation" to "investment." During the long bull market of the 1980s and 1990s, old anxieties about corruption vanished as Main Street came to Wall Street, and more Americans bought stocks than ever before. The New York Stock Exchange, it seemed, was no longer the playground of the privileged few. Instead, it became the focus of pseudo-populist fantasy, and the day trader a cultural hero to the millions of ordinary fellows who had supposedly decided to start playing the market. Purveyors of conventional wisdom evoked visions of universal affluence. Thomas L. Friedman led the way in *The Lexus and the Olive Tree*, celebrating the "democratization of finance" that was allegedly created by the Internet. In Friedman's stupefyingly bland and simple vision of globalization, computer technology allowed the "electronic herd" of online investors to pursue opportunities worldwide and, in the process, to lift the veil of darkness from societies still benightedly attached to their olive trees. Other investment gurus were willing to quantify their utopian expectations, as Kevin Hassett and James Glassman did

Jackson Lears is the editor of RARITAN *and the author, most recently, of* SOMETHING FOR NOTHING: LUCK IN AMERICA *(Viking/Penguin).*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

in *Dow 36,000*. Prognostication gave way to hallucination as everyman became his own investor.

The discourse of "democratic capitalism" survived the bursting of the technology bubble and the proliferating scandals that came in its wake. Never mind that many of the magicians of corporate finance had systematically bilked their shareholders and made whole portfolios disappear overnight; never mind that the "democratization of finance" was little more than a catchphrase concealing the familiar stratagems of crony capitalism. None of the vapid optimism of the 1990s has come back (at least in public) to haunt its vendors. Indeed, one of the ground rules of polite journalism in our time is that neither apologists for the current administration nor the contemporary representatives of "responsible opinion" are ever held accountable for predictions or other assertions made in the recent past, no matter how fatuous or poorly informed they turn out to be. Journalistic amnesia is complete, with respect to domestic as well as foreign policy. So just as George W. Bush still commands respect from the Washington press corps, Glassman still holds forth on economic trends at the American Enterprise Institute, and Friedman still peddles his folksy cheerleader's clichés in *The New York Times*.

The debate (if there is one) on Social Security "reform" will show how much popular skepticism toward Wall Street has remained beneath the surface of public discourse, despite the apparently successful campaign to sanitize the stock market, to make it seem like a sure thing. A victory for privatization would mean another retreat for a once-powerful stream of republican political thought, one that has existed since before the American Revolution, energizing opposition to irresponsible wealth and power. Another Republican triumph over republican tradition might bury it, or at least its better angels, for good.

THE TRADITIONAL CRITIQUE OF Wall Street arose from the American revolutionaries' distrust of concentrated power. Jefferson, Madison, and their contemporaries feared that speculative capitalism would create a new aristocracy, one based on paper rather than on landed wealth, but just as disdainful of the public good as the old aristocracies had been—and maybe more disdainful, thought patrician farmers such as "Light-horse Harry" Lee, who believed their attachment to the soil of a particular community ensured noblesse oblige and civic virtue. This perspective developed into an influential nineteenth-century worldview that could be called "producerism." It involved a preference for solid material property over the insubstantiality of stocks, bonds, and other forms of paper wealth; a distrust of the secretive, slippery character of the speculator who sold (and bought) those airy nothings; and a dislike for the speculator's tendency to choose gambling over useful toil. From the producerist standpoint, the speculator was simply a parasite, sucking the lifeblood from the honest labor of farmers, mechanics, and small proprietors, who together constituted "the producing classes."

Skeptical liberals as well as cynical capitalists have dismissed producerist critics of Wall Street as ignorant bumpkins about to be steamrollered by modernity, enraptured by nostalgic fantasies of a lost agrarian utopia, and given to provincial xenophobia. The indictment is a caricature, but there is a grain of truth to it. On the occasions when the critique of Wall Street became infected with anti-Semitism or bogged down in literalist epistemology, primitive economics, and parochial morality, the trouble could usually be traced to the producerist outlook. Still, there were times when only a producerist mentality could do justice to the ironies of life on the Street, such as the ridiculously overcapitalized railroads of the 1880s, whose stock sold for top dollar while their roadbeds disintegrated and their locomotives lay rusting in ditches. Sometimes literalist notions of reality constituted a salutary corrective to Wall Street's chimeras.

More important: producerist economic thought, however coarse, was leavened by egalitarian impulses that eventually fostered a more sophisticated evaluation of the Street. By the early twentieth century, most American critics of Wall Street did not object to the game itself. They recognized that the public trading of company shares might play a necessary part in the capital development of the country. But they did object to the rigging of the game, and with good reason. During the Age of Morgan, what purported to be a rollicking scene of unbridled opportunity was about as open and democratic as a Midtown men's club.

Louis Brandeis and other Progressives understood that the gentlemen's agreements on Wall Street—the informal confederations created among investment bankers, corporate executives, and *rentier* capitalists—had helped to create an American ruling class. Though Brandeis and his contemporaries spoke the language of disinterested expertise rather than republican morality, they still recognized (as Jefferson had) that irresponsible economic privilege was a threat to the public good. This line of argument was an updated deployment of republican tradition. It avoided the language of class, but it orchestrated a class-based criticism. It eventually helped to justify the American version of the welfare state. We lose sight of it at our peril.

II.

ONE OF THE MANY STRENGTHS of Steve Fraser's superb book is that he takes this indigenous American criticism of Wall Street seriously—demonstrating its depth and complexity, its long lineage in American political culture; exploring its dark underbelly, but also recognizing its commitment to democracy, its essential sanity. He ranges widely and imaginatively over more than two centuries of American history, telling fascinating stories of self-made men and confidence men, of oleaginous plutocrats and fire-breathing Populist prophets, of millenarian expectation and widespread panic. He recognizes that Wall Street is far more than a setting for stock and bond trading—that it is "the terrain on which people have wrestled with ancestral attitudes and beliefs about work and play, about democracy and capitalism, about wealth, freedom, and equality, about God and mammon, about heroes and villains, about luck and sexuality, about national purpose and economic well-being."

Containing multitudes, Fraser never descends to the banality of phony even-handedness or seeks the asylum of ambiguity. By recovering the traditional American critique of Wall Street and taking it seriously, his work provides a salutary antidote to the cheap pieties about our "ownership society." *Every Man a Speculator* demonstrates that the writing of American history does not have to be blandly celebratory to be accessible and forceful. Fraser certainly offers a bracing alternative to the bromides of Stephen Ambrose and David McCullough.

The book is not flawless. There are slips and gaffes, a few egregious ones.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Mark Twain invested in the Paige typesetter, not the Poise typesetter; it was Gertrude Stein, not Zelda Fitzgerald, who coined the phrase "lost generation" to characterize the expatriate writers of the 1920s; and Richard Whitney, the vice president of the New York Stock Exchange during the Great Crash of 1929, would have been puzzled to read that he had been "polished at the Porcelain Club" at Harvard, along with other old-monied Porcellians. But in the end these are correctible defects in a remarkable synthesis—a richly detailed, comprehensive, and convincing account of Wall Street's place in American cultural history.

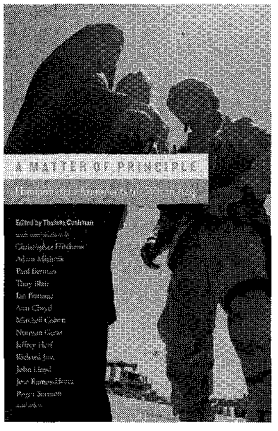
For Fraser, Wall Street has always been a scene "of deep ambivalence and of cultural warfare," where one could chart the fault lines in the moral economy of American capitalism. Was success on Wall Street a result of "anarchic luck and reckless play," or of "prudential calculation, deferred gratification, and sober rationality"? Or was it both at once? The celebration of risk-taking entrepreneurship collided with the Protestant ethic of disciplined achievement. Efforts to resolve this conflict lie at the core of Wall Street's relationship to Main Street.

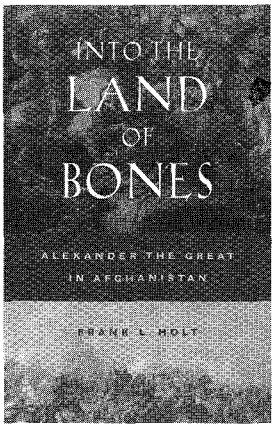
From the earliest days of the New York Stock Exchange, when it was a redoubt of Knickerbocker privilege, up to the recent past, both capitalists and their critics have seen the need to stabilize the sorcery of the marketplace—the primal, libidinal excitement of speculation, the intoxicating possibility of wealth without work. For Wall Street to acquire legitimacy, the apparently magical power of money to beget money had to be made rational and responsible, or at least made to seem so. Yet the stabilization of sorcery could never be too thorough, nor the containment of carnival too complete. Speculation still had to give off an alchemical glow, however faint—a hope of dramatic transformation, shrouded in tantalizing uncertainty. And as Keynes understood, the mental state of uncertainty appealed profoundly to investors; the market depended on the frisson of risk to keep them from dying of terminal boredom.

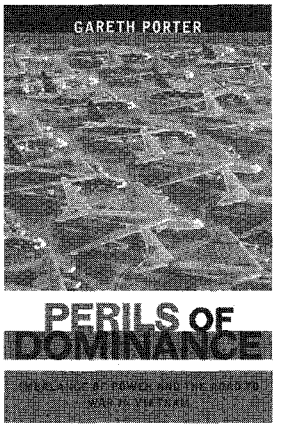
The pervasiveness of risk has also underwritten Wall Street's dubious egalitarian claims. Like other forms of gambling, stock speculation democratized opportunity by depending on luck. However fervently elite money managers have insisted on the scientific basis of investment, the logic of legitimation demanded the preservation of that secular American version of grace known as "the breaks." If Wall Street were to preserve any pretense to democracy, the promise of magical self-transformation through speculation had to survive, seemingly available to all. If any farmer's son with sufficient good fortune could make a killing on the market, maybe it wasn't just a rich man's club after all.

The difficulty with this faith lay in the ambiguity of fortune. It referred to blind luck, but also to established wealth. The apparent magic of speculation was very often sleight of hand. No one on Wall Street could conjure something from nothing: the speculator had to have something to bring to the table. Only existing capital could generate more capital; and so inequalities of access have been built into the investment game from the beginning. As Fraser shows, the big players and beneficiaries on Wall Street have always come disproportionately from among the affluent, even during the bull markets of the 1920s and the 1990s. But the dream of democratic opportunity, like the accusa-

PERSPECTIVES ON WAR







A Matter of Principle
Humanitarian Arguments for War in Iraq
Edited by Thomas Cushman

"It includes the leading and most sophisticated advocates of liberal internationalism from the worlds of the academy, politics and the media. The arguments are complex and nuanced, and contribute to a new understanding of the Iraq war."
—**RICHARD A. WILSON,** Director of the Human Rights Institute, University of Connecticut

$21.95 paperback
$55.00 hardcover

Into the Land of Bones
Alexander the Great in Afghanistan
By Frank L. Holt

"[Holt] uses the history of Alexander to raise provocative questions about current affairs. Its long-term value, however, lies in its detailed and masterly account of Alexander's Bactrian campaigns.... This is one of the most im-portant works on Alexander to appear in the last ten years."
—**STANLEY BURSTEIN,** author of *Outpost of Hellenism*

$24.95 hardcover

Perils of Dominance
Imbalance of Power and the Road to War in Vietnam
By Gareth Porter

Perils of Dominance is the first completely new interpretation of how and why the United States went to war in Vietnam.

"The most important contribution to our understanding of the war in Vietnam since the *Pentagon Papers*."
—**ROBERT JERVIS,** author of *American Foreign Policy in a New Era*

$27.50 hardcover

AT BOOKSTORES OR ORDER (800) 822-6657 • WWW.UCPRESS.EDU
UNIVERSITY OF CALIFORNIA PRESS

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tions of aristocracy, survived, and helped to sustain the tensions at the core of the culture of Wall Street—between elite domination and popular participation, between efficiency and risk, between holding on for the long haul and cashing in overnight.

III.

FRASER IS NOTHING IF NOT A connoisseur of the tensions. It is a good skill for this subject. From the outset, he notes the ambivalence that surrounded speculative capitalism in the early modern West, even among the capitalists themselves. The mercantile aristocracy that settled on Wall Street during the eighteenth century inhabited an atmosphere still pervaded by popular suspicions—a distrust of erratic movements in the value of precious commodities; a tendency to link speculation with gambling and divination in a secretive and faintly diabolical web of associations. The commercial revolution that was sweeping the Atlantic world created enterprises that exuded "an unmistakable air of the alien and strange," as Fraser writes. A surging mania for remote real estate fueled John Law's "Mississippi Scheme" of 1719, the "South Sea Bubble" of 1720, and similar episodes of frenzied finance. All followed a pattern of feverish excitement followed by deflation and disappointment. No wonder they carried connotations of libidinal excess, at least to their republican critics.

Washington, Madison, and Jefferson all denounced speculative capitalism from a producerist perspective. Washington told Hamilton that speculative capital was "barren and useless, producing, like that on a gaming table, no accession to itself ... withdrawn from Commerce and Agriculture where it would have produced addition to the common mass." Hamilton disagreed, and became the chief advocate of the view that government bond issues were the best way of mobilizing capital to develop an undeveloped country. He was not at all oblivious to the dangers of speculation; he wanted to encourage productive investment in shipbuilding, canals, construction, manufacturing—to create the foundation of a new nation through state-sponsored and subsidized economic development. This was the mercantilist vision behind Hamilton's Bank of the United States. Its shares went on sale on Independence Day 1791, in what Fraser calls "the country's maiden IPO."

Jefferson was unimpressed. "Several merchants from Richmond were here lately," he wrote to Madison from New York. "I suspect it was to dabble in Federal filth." This was more than fastidious moralism. Jefferson and other republican ideologues feared that Hamilton's scheme threatened to betray the revolution by creating a moneyed aristocracy in league with the central government. Fraser takes their fears seriously enough to rehabilitate Charles Beard's famous (and unfairly dismissed) argument that the Constitution was an attempt to contain the democratic energies unleashed by the revolution. Unlike Beard, though, Fraser resists economic reductionism. He knows that the motives of the Constitution's framers were far more complex and admirable than merely a desire to protect the interests of the bondholders who had been speculating in the public debt. Still, there is no denying that once the Constitution was ratified, the United States Treasury (under Hamilton's direction) assumed the war debts of the Continental Congress and the states, levying new taxes to support that move. Whatever else this policy accomplished, it served the needs of Wall Street investors.

ONE OF THE MOST STRIKING characteristics of Wall Street's first century of existence in the new United States was its dependence on government resources and a government-driven economy, even as it embodied the glamour of free enterprise. The economic growth of the antebellum era was largely generated by state investment in the Erie Canal and similar public projects—canals, turnpikes, wharves, railroads. In an expansive entrepreneurial economy, the Knickerbocker aristocracy yielded to a more mixed crowd of investors. The Street still epitomized a monied elite, but it increasingly resembled what Fraser calls "a boulevard of plebeian ambition, opening up to the socially nondescript, not to mention the socially disreputable."

None of this sat well with farmers and planters, North and South, who still viewed the paper economy as something strange and forbidding. Some (especially southerners) saw the conniving speculator as more diabolical than the gambler, who at least (if he was honest) had a sense of honor; most dismissed both types as peas in a pod, seekers of something for nothing. Producerist suspicion of speculators was also fueled by anti-Semitism. John Quincy Adams fretted about the "stock-jobbing, Jew-brokering tricks" played on the Royal Exchange by American speculators. Alexander McNutt, the governor of Mississippi, denounced the Bank of the United States in 1837 for borrowing from Baron Rothschild because "the blood of Judas and Shylock runs in his veins." While this toxic strain was deeply embedded in Christian tradition, the virus may have played a more specific role in American commercial life, allowing pious capitalists to project guilt about wealth onto the ever-available figure of the allegorical Jew. As Fraser shows, anti-Semitism remained a persistent theme in the criticism of Wall Street well into the twentieth century, displacing Christian anxieties onto a convenient target and distracting ignorant critics from actual abuses.

IN ANTEBELLUM COMMERCIAL CIRcles, the reputation of Wall Street lurched up and down, largely in accordance with the business cycle. During the panic of 1837 and the long depression that followed, only *rentier* intellectuals such as Emerson had anything good to say about Wall Street: though he lamented hard times and disdained unseemly striving, he remained romantically infatuated with the prospects for "self-discovery" available in the market. As Fraser remarks, Emerson's "metaphysical speculation about speculation" helped to ease the apologetics for the Street toward the rhetoric of liberal individualism. Observers more perceptive than Emerson, such as the economist William Leggett, were more sensitive to the inequities created by unregulated capital markets, and more aware that Wall Street attracted confidence men as well as self-reliant Emersonians.

By the Civil War, such fears had begun to abate a little. Confidence men, it turned out, could become paragons of patriotism. Jay Cooke did. In 1862, when the U.S. Treasury had trouble enticing the New York or European bankers to buy war bonds, Cooke single-handedly disposed of the entire issue in a sales campaign that included full-page ads and brass bands. It was the first mass-marketing of financial securities in American history. Cooke became a war hero. His grand postwar project, the Northern Pacific Railroad, epitomized the imperial aspirations of Wall Street financiers after Appomattox.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Swashbuckling speculators transformed the shifty-eyed confidence man into a Napoleon of finance. The Street seemed increasingly to reward men of "precocious audacity, raw aggressiveness, and a wolfish cunning," lacking education and refinement but animated by a plebeian rashness. The prototypes were Jim Fisk, a tubby womanizer, glutton, and drunk admired more for his flash than his actual accomplishments; Daniel Drew, a psalm-singing Methodist who made millions by selling watered railroad stock; and Cornelius Vanderbilt, a barely literate shipping magnate who told a competitor that "I won't sue you, for the law is too slow. I'll ruin you."

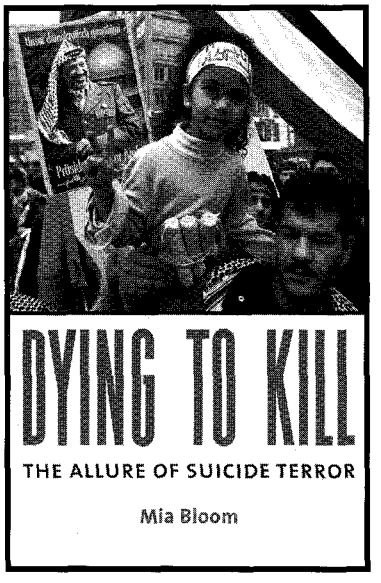
In a Gilded Age that was beginning to worship energy for its own sake, these men's ruthless methods and outsize appetites gave them an erotically charged appeal. Eventually they would become prototypes for the Nietzschean titans in novels by Frank Norris and Theodore Dreiser. Their pulsating masculinity set them apart from their equally successful contemporary Jay Gould. Another adept manipulator of railroad shares, Gould was secretive, sly, effeminate (he raised exotic orchids), and widely reviled. Criticism of the stock market had long carried overtones of masculine anxiety. To an observer in 1870, the market was "a withered old harridan, enameled, painted, and decked in the latest mode which leers on the speculator and points to golden prizes, that, like the desert mirage, fades away and leaves him to his ruin." Deceit and femininity, like deceit and Jewishness, were twinned.

Gould and his contemporaries financed a huge industrial explosion even as they systematically corrupted the polity, watering stock and bribing legislatures wholesale, preaching laissez-faire and depending on government for loans, land, and subsidies. Such hypocritical freebooters could never be more than temporary heroes. Even Cooke came quickly to grief in 1873, when his deeply overextended Northern Pacific securities collapsed in price, touching off a Wall Street panic and the longest depression yet in American history. The New York Stock Exchange was closed for ten days, and it would be decades before any small investors went near the Street again.

THE QUARTER-CENTURY FROM the Crash of '73 to the Spanish-American War of 1898 was marked by a lurching and largely deflated business cycle. Business competition was fierce, failure rates fearful. "Most industrial capital was illiquid," Fraser observes, "bound up in solely owned companies or partnerships, not in readily tradable stocks and bonds, so the captain of industry was likely to go down with his ship whether voluntarily or not." Many companies that were publicly traded on Wall Street—particularly railroads—were overvalued, inefficient, and vulnerable to even slight economic contractions. Laying off thousands of workers at the merest quiver of the business cycle, purchasing legislatures wholesale, the railroads epitomized irresponsible capital in action. They provoked widespread strikes, and successfully demanded that federal troops be used to protect strikebreakers and disperse strikers.

Periodic eruptions of class warfare intensified anxieties among the affluent. The atmosphere of worry enveloped Wall Street as well, which was already reeling from the effects of unregulated capital markets. No wonder the Brahmin investment banker Henry Lee Higginson remembered the closing decades of the

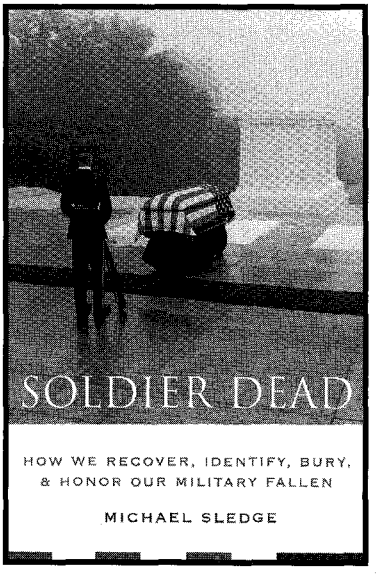
COLUMBIA UNIVERSITY PRESS



Dying to Kill
The Allure of Suicide Terror
Mia Bloom

"The most comprehensive and lucid book on suicide terror available."
—David C. Rapoport, editor of the *Journal of Terrorism and Political Violence*

Bloom contrasts the use and strategies of suicide bombing in Asia, the Middle East, and Europe, paying particular attention to the increasing role of women suicide bombers in terrorist organizations.



Soldier Dead
How We Recover, Identify, Bury, and Honor Our Military Fallen
Michael Sledge

"This is a history that begged to be written out of loyalty to and respect for the American military men and women killed during their service in war or peace."
—Harold G. Moore, Lt. General, U.S. Army, Ret.; coauthor of *We Were Soldiers Once and...Young*

Michael Sledge provides a thorough analysis of the processes of recovery, identification, return, burial, and remembrance of the dead.

columbia.edu/cu/cup

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

century as a time of "constant frights and uncertainties, which gave gamblers a great chance if they could guess right, and which kept decent men in doubt and often in agony." But the "decent men," it turned out, were determined to keep the chaos from continuing—even if it meant the eclipse of laissez-faire by a private command economy.

THE COMMANDER OF that economy was J.P. Morgan, the man with the blazing eyes and the unfortunate suppurating nose—a risk-averse Protestant patrician who hated speculation. He became the country's unofficial central banker for the several decades preceding the formation of the Federal Reserve (and his death) in 1913. His first move with national implications was the "Morganization" of the railroads after their collapse in 1884—ending cutthroat competition, weeding out the non-performers, consolidating the rest under the control of Wall Street banks. Among his admirers, "Morganization" became shorthand for bringing efficiency and probity to corrupt industries. Morgan bailed out Grover Cleveland's administration in 1895, replenishing its depleted gold stocks by marketing U.S. government bonds abroad. He calmed the Wall Street panic of 1907 by providing liquid capital to tapped-out institutions (including New York City) and persuading frightened financiers to do the same. He deployed his assets in the service of the larger good, as he saw it—sound money, steady profits, a stable economy.

The key to stability was the monopolistic, publicly traded corporation, preferably with a Wall Street banker or two on its board of directors. The Age of Morgan marked the transition from family capitalism to finance capitalism, from entrepreneurial competition to corporate management. By the 1890s, Wall Street had begun to service the capital needs of business generally, and by the end of that decade the first great merger wave in American economic history was under way. Gradually an unprecedented dignity descended on the Street. Despite occasional panic attacks, the riotous indiscipline and bipolar mood swings of the Gilded Age began to seem a thing of the past.

Pardee

Early morning after plowing, rain or no rain,
Pardee sets out dowsing for the lost world's relics,
Having spent God knows there is no way of telling
How much of how many a winter afternoon
Easing through the woods like a seeker after truth
Who relies on the truth to come out of hiding
Of its own accord—no big hoopla, no blinding
Light, just Here I am and You know what I'm worth—
Or if you don't know for certain right now, you will
Come spring, so use your Uncle Ivie's well-honed knife,
Then lay me in the creek open to the current:
I'll be ready when you are: Take me to the field:
Ride me barefooted like an invisible bike:
Do a by God wheelie, hold lightning, stand rampant.

ED MINUS

The new tone on Wall Street was due to the dominance of Morgan and other patrician investment bankers: "titans in white shoes," Fraser calls them. (Though he refers often to the "white shoe" banking fraternity, Fraser never explains the origin of the term. It refers to an Ivy-educated life of privilege, the sort of life in which even one's fashionable white bucks stay clean.) Whatever the color of their shoes, the investment bankers were the financial core of a new, national ruling class, dominated by old-money WASP elites from the Northeastern seaboard—men of hauteur and self-possession, more at ease in a Park Avenue drawing room than on the trading floor. They (and their wives) sustained such cultural institutions as the Metropolitan Museum of Art, the Cathedral of St. John the Divine, the Harvard Medical School, and the New York Botanical Garden. The old buccaneering plutocracy was becoming a socially conscious aristocracy of wealth.

YET SUSPICION OF WALL Street survived among old-money WASPs, fueled by spiritual yearning, snobbery, and anti-Semitism. Observers such as Henry and Brooks Adams, Henry James, and Edith Wharton recoiled from the monotony and the emptiness of the Wall Street cult of money-worship. For Wharton, Wall Street was a whited sepulcher: the good taste of Morgan masked the persistence of corruption in such places as the original "house of mirth." The inspiration for her book's title was an upmarket house of ill repute in downtown Manhattan, where ladies of the night pleasured state legislators on the tabs of Wall Street big shots (including Morgan's partner, George Perkins). The book itself, which was published in 1905, explored *rentier* New York from the perspective of a well-bred single woman without money, whose last best hope is to marry a coupon-clipping mediocrity and who falls victim to the wiles of an oily Jewish caricature named Rosedale. The patrician critique of Wall Street contained a strong dose of anti-Semitism, repellent in Wharton, poisonous in Brooks and Henry Adams. They railed against the "Jewish Age" of Wall Street hegemony and lived on their investments.

While Henry remained terminally estranged from his age, Brooks became persuaded that the Better Sort—men like himself—might revitalize themselves and make common cause with the captains of capital. They had been to the same schools, joined the same clubs, married into some of the same families, and were all Anglo-Saxon Protestants. WASP ethnocentrism was a central component of the emerging ruling class consciousness; along with museums and libraries, the Age of Morgan gave us the New York Genealogical Society. Gradually patricians closed ranks, sensing a vacuum at the top of the "leadership class" and seeking a way to fill it. The interest of men of affairs such as Henry Cabot Lodge and intellectuals such as Brooks Adams focused on the young assistant secretary of the Navy and hero of San Juan Hill, Theodore Roosevelt.

IV.

THE NEED FOR STRONG LEADERSHIP seemed especially urgent in the light of the deepening class conflict of the 1890s. Discontent was not simply a product of foreign-born agitators haranguing workers at the factory gate. It pervaded the countryside as well, energizing the Populist movement among farmers who found themselves ensnared in a baffling world marketplace of wildly fluctuating prices and long lines of credit. Searching for villains, farmers focused first on railroads,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

then shifted their attention to the white-shoe bankers of Wall Street. This was not an irrational choice. Morgan and his cohort kept a tight grip on the money supply, defending the sacrosanct gold standard and doling out credit at ruinously high rates to the chronically indebted farmer.

Against the money power of Wall Street, Populists deployed a sophisticated producerist criticism. Though their rhetoric was often shrill, their political vision was ultimately humane and pragmatic. While Shylock sometimes played the role of parasite in Populist demonology, anti-Semitism played a far more significant role in the drawing rooms of upper Fifth Avenue than it did down on the farm. As Fraser observes, "The tincture of anti-Semitic stereotyping in Populist polemic has been unfairly used to discredit the movement's critique of modern capitalism, to dismiss it as a species of political paranoia incubating among the dispossessed in the passed over regions of rural America." But in fact the only "backward-looking" feature of the Populist vision was its wariness toward concentrated wealth.

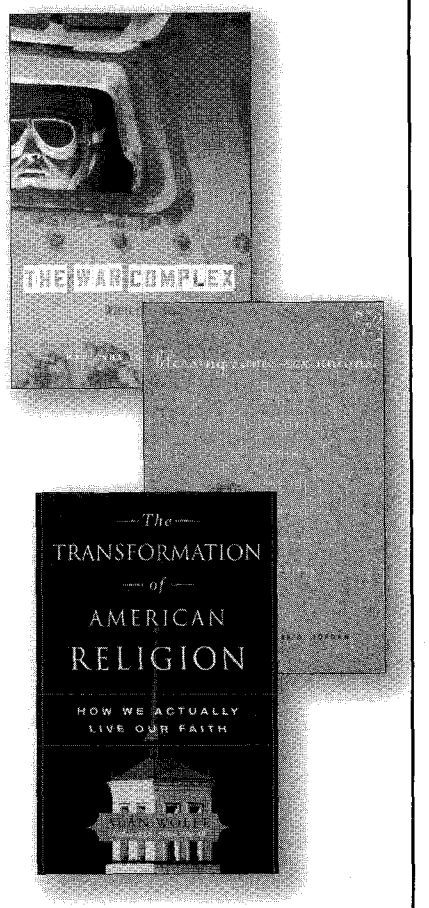
Populists wanted to wrest control of the money supply from the Wall Street elite and put it in the U.S. Treasury, through such measures as their Subtreasury plan. The Subtreasury would make low-interest loans to farmers in exchange for their crops, which it would then warehouse, releasing the crops onto the market (or withholding them from it) in amounts and at intervals that would maintain stable prices. Price stability would ensure that farmers could repay the loans and sustain their way of life. This plan may or may not have worked; in any case, it did not guarantee the fulfillment of the deepest producerist wish—the desire to see the paper value of railroads, cotton, hogs, and wheat bear some resemblance to their real value. How one computed those values remained an elusive problem, one that Populist economics left in a theoretical muddle. As Fraser points out, Populists failed to distinguish between credit and capital markets, "cooking them together in a witches' brew of usurious exploitation." Yet they correctly understood that the gold standard was unfairly punishing debtors and that some form of inflation was necessary to recharge a sluggish economy. And they knew that the money supply was too important to be left entirely in private hands.

After 1900, the Populist argument re-appeared in a starched collar and conservative suit. It acquired a more pragmatic and respectable tone in the rhetoric of Progressive reform, which became the middle ground where Wall Street and Washington could meet. Through the accident of William McKinley's assassination, Roosevelt became the key mediating figure in the emerging partnership between business and government. With Morgan he shared a patrician background and a paternalistic belief that the leadership class should act in the service of the whole society. But Roosevelt refused to equate the public interest with the interests of Wall Street. Properly distrusting the bankers' pretensions to disinterested benevolence, he revived antitrust legislation (albeit inconsistently) and re-asserted government's power to regulate irresponsible capital.

Roosevelt had to scramble to keep up with popular opinion. Throughout the early 1900s, American public discourse was awash in denunciations of the "money trust," the web of interlocking directorates and gentlemen's agreements that used "other people's money"—the assets of ordinary shareholders—to manipulate stock prices for private gain. Even the railroad magnate James Hill acknowledged that corporate mergers created giant trusts "not for the purpose of manufacturing any particular commodity ... but for the purpose of selling sheaves of printed securities which represent nothing more than good will and prospective profits to promoters." The manipulations of the money trust did not promote needed capital improvements—say, in the shoddily built railroads; it merely inflated speculative assets for the benefit of privileged insiders. Concentration of power at the top was not the most efficient market structure, nor the only alternative to speculative anarchy.

Despite their differing emphases and styles, Progressives such as Theodore Roosevelt and Woodrow Wilson recognized the need to regulate capital in the public interest. They appealed to an urban middle class who shared the Populist distrust of fictitious values and felt they were the victims of a gigantic scam, systematically excluded from a trough where only a handful of overfed hogs could fit. Progressives wanted a piece of the action, and they wanted the action to be fair. As Wilson said, he intended his "New Freedom" agenda to help "the

On the ISSUES
New books from Chicago



The War Complex
World War II in Our Time
Marianna Torgovnick
"A veritable tour de force."—*Library Journal*
Cloth $25.00

Blessing Same-Sex Unions
The Perils of Queer Romance and the Confusions of Christian Marriage
Mark D. Jordan
"Any Christian who wants to think more clearly about marriage should read Jordan."
—*Publishers Weekly*
Cloth $29.00

Now in paperback
The Transformation of American Religion
How We Actually Live Our Faith
Alan Wolfe
"A commendably balanced view."
—*Los Angeles Times*
Paper $16.00

Available in bookstores
The University of Chicago Press
www.press.uchicago.edu

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

men who are on the make, and not the men who are already made." Morgan and his white-shoe colleagues were the quintessential made men.

By the early 1910s, even the titans themselves suspected that the job of managing the nation's money supply was too important to be left indefinitely in private hands. This was partly because they were under a steady barrage of Progressive criticism from the likes of Brandeis and the Pujo Committee investigation of the money trust. But the bankers were by no means merely defensive. They planned the Federal Reserve System to serve their own interests—which, as always, they equated with the national interest. The resulting public-private hybrid created a bit more government control over monetary policy than the white-shoe boys had envisaged, but (as Fraser writes) the System nonetheless "marked a definitive moment in the evolution of the investment elite's career as a ruling class, translating their economic and social power into formal political authority, albeit imperfectly." Despite tensions between Wall Street and Washington, there was never any doubt that a marriage could be made. Both Roosevelt and Wilson maintained cordial relationships with representatives of Wall Street, and after the passage of the Federal Reserve Act in 1913 the capital markets remained reasonably stable (in fact, sluggish) even as credit became more widely extended among the middle classes. The new ruling class had struck a deal with Progressive government.

The newly concentrated structure of economic power had foreign policy implications, too. The flood of European as well as American capital into Wall Street helped to elevate the United States into a new international prominence, free of dependence on overseas banks. The Federal Reserve Act had left overwhelming power in the hands of New York banks with the intention, said Senator Carter Glass of Virginia, of wresting the scepter of power from London. By the early 1900s, the country had become a leading creditor nation, constantly in search of investment opportunities and markets abroad. It was no accident, as Marxists used to say, that this nation began to develop an imperial point of view, and a foreign policy to go with it. Lieutenant General Smedley Butler recalled a few years after he retired in 1931 that he had spent most of his thirty-three-year military career as "a high-class muscle man for big business, for Wall Street, and for the bankers." The aim of this new empire was not possession of colonies but access to raw materials and markets.

World War I sealed the alliance between Wall Street and Washington. The war was an opportunity for the Street's elite to demonstrate its public-spirited idealism—by floating loans to the allies, as principal investment banks did; by assaulting the Hindenburg Line, as New York's "Silk Stocking" regiment (the 107th Infantry) did; or by serving directly for the government, as Bernard Baruch did when he headed the War Industries Board, reining in profiteers and selling Liberty Bonds. The war completed the legitimating process that Morgan & Co. had begun, and the Street was well positioned for the bull market of the 1920s.

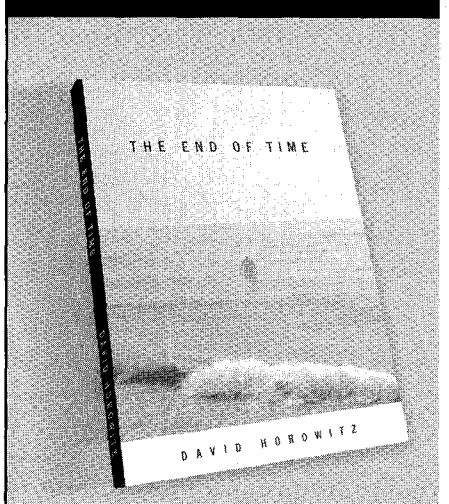
Legend has it that when the elevator operator in Baruch's office building started asking him for stock tips in August 1929, the financier knew it was time to get out of the market. Fraser acknowledges a certain democratization of investing during the 1920s. More Americans of modest means (including women) were playing the market than ever before. Though 75 percent of the dollar value of all securities was probably held by no more than half a million people, the total number of Americans participating in the market may have been as many as fourteen million, if one includes the passive owners of securities in pension plans and corporate stock ownership programs. As critics such as W. Z. Ripley pointed out, the passing of power from Wall Street to Main Street was an optical illusion, since the new "owners" of capital had virtually no say over what they owned.

Still, "blood was stirring where it hadn't before," as Fraser remarks. "Playing the market" became an erotically charged game, at once carefree and careless, a sanitized Dionysian frenzy sweeping through affluent suburbs. According to Fraser, the market became part of "the ultimate discovery of the New Era" (as corporate utopians called the 1920s): "the supreme value of psychic income, a swiftly running stream of pleasurable sensations." Though the WASP investment bankers still dominated the Street, the old prudential standards no longer carried much weight. Speculation in the market had again become a form of intense experience, akin to gambling in its appeal. This was essential to the popularization of investing, which was "intolerably boring" (as Keynes observed) without it.

Yet even before the crash of 1929, the unregulated capital markets of the New Era revealed their limitations. They were neither the fairest nor the most efficient way to allocate the nation's resources. Nor were they the best way to encourage economic growth. The prosperity of the 1920s was unevenly distributed: most farmers felt it not at all, the urban working classes only fitfully. This made for the overextended credit and the weak consumer demand that eventually contributed to the business collapse of the early 1930s. Surveying the economic wreckage on both sides of the Atlantic in 1936, Keynes wrote: "When the capital development of a country becomes a by-product of a casino, the job is likely to be ill done." Rarely has the case for public oversight of capital markets been more succinctly stated.

However complex the relationship between the Crash and the Depression, the two events were indissolubly linked in the popular imagination. As madness swept the New York Stock Ex-

"Beautifully written, unflinching in its contemplation of the abyss, yet finally hopeful ... and as a bonus, it gives us a wonderful love story."
~STANLEY FISH



BUY THIS BOOK NOW
at local bookstores everywhere
Or Order for 30% Discount
at 800-752-6562 or
WWW.FRONTPAGEMAG.COM

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

change on October 29, 1929, sell orders flooded the trading floor, screaming traders tore at one another's collars, and a huge crowd formed outside the Exchange, emitting a strange roaring sound. The crowd stayed for several months, while fortunes went up in smoke inside the building. And the sound persisted too, as one eyewitness recalled: "It wasn't an angry or hysterical sound. That was the most ominous thing about it. It was a kind of hopeless drone, a Greek dirge kind of a thing." Greek gods such as Richard Whitney tried to stem the slide by ostentatiously buying blue-chip stocks, emulating Morgan's intervention in 1907. Such efforts were futile. Aristocrat and arriviste went down together, revealing that old-money Wall Street had accommodated itself to the wildcat ways of the New Era—with catastrophic results when inflated values collapsed.

Fraser recounts the collapse of Wall Street prestige in the 1930s, when former captains of capital were exposed as criminals and fools. Whitney himself became hopelessly overextended and resorted to embezzling funds from the New York Yacht Club to keep himself afloat. When Whitney was convicted and sentenced to Sing Sing, *The Nation* observed that "Wall Street could hardly have been more embarrassed if J. P. Morgan had been caught helping himself to the collection plate at the Cathedral of St. John the Divine." Franklin Roosevelt was appalled at his fellow Groton alumnus: "Not Dick Whitney," he kept saying when he heard the news. The old guard on the Street began to look ridiculous and pathetic, as Jack Morgan (J.P.'s son) did when he testified before Congress in 1933 and some wag arranged for a female midget from Ringling Brothers to plop down in his lap.

There had to be something funny out there, somewhere. As the Dow plummeted and unemployment soared, Roosevelt's New Deal attacked "the toxic mixture of coagulated capital and sickly mass consumption" that unregulated markets had created. Some of the New Deal legislation was specifically aimed at Wall Street, notably the Securities and Exchange Act (which created a regulatory commission of varying effectiveness, depending on its members) and the Glass-Steagall Act. For nearly seventy years, Glass-Steagall prevented commercial banks from investing depositors' funds in stocks that the banks themselves had underwritten, or providing loans to inflate the price of shares that their investment affiliates were selling. In short, this legislation protected bank depositors from highly dubious banking practices and conflicts of interest, until the post-Reagan generation of free-market fundamentalists repealed it (with Clinton's support) in 1999.

Once upon a time, our policymakers knew better. Roosevelt was no economist, but he understood the role of irresponsible speculation in bringing on the collapse. "Unrestrained financial exploitations which created fictitious values never justified by earnings have been one of the great causes of our present tragic condition," he announced in 1933. The country was paying for the short-sighted selfishness of big capital, but not everyone knew who could be held responsible. As breadlines lengthened and despair hung palpably in the streets, Fraser notes dryly, "the notion that Jews might be blamed for everything had potential." Rabble-rousers such as the "radio priest" Charles Coughlin demonstrated once again that anti-Semitism was the anti-capitalism of fools. With "Coughlinism" on his right and "Huey Longism" on his left, Roosevelt aimed to steer a pragmatic middle course, and to save capitalism from its self-destructive defenders on Wall Street. The forces of entrenched privilege fought him every step of the way. "They are unanimous in their hatred of me," Roosevelt told a raucous throng at Madison Square Garden on the eve of the election of 1936, "and I welcome their hatred!" The place was pandemonium. *Autre temps, autres moeurs.*

V.

Roosevelt's New Deal never really cracked the key political and moral conundrum involved in creating a humane version of capitalism: how to promote economic justice and the public interest without scaring off the investing classes (a skittish herd if ever there was one). By the late 1930s, the economy had slowed again, and a number of New Dealers—including Roosevelt himself—blamed a "general strike" by Wall Street investment capital. Only the coming of war really put people back to work. As would prove to be the case for the next half-century, federally funded public-works projects were an easy political sell only if they made things that blew up.

From the Wall Street perspective, it did not much matter how consumer demand was stimulated. If Americans (even comparatively affluent Americans) had extra cash in their pockets, they would not be putting it in the stock market. For decades after the Crash, the Street stayed virtually invisible in American life. It was not until 1961 that the total volume of shares traded matched the peak of 1929. Post–World War II prosperity was fed largely by consumers (including the Defense Department). Their needs were serviced by corporations, which could finance their expansion internally, given the flush times that survived until the early 1970s. Indeed, the corporation became the focus of anti-business criticism during the postwar years; it was excoriated for its manipulative advertising and its soulless conformism. Wall Street, meanwhile, had lost its demonic aura and nearly disappeared.

Yet Wall Street still preserved an influence in the corridors of power. It was as if a piece of the Wall Street elite had taken to heart the admonitions of William O. Douglas, chair of the SEC in the late 1930s, a true Brandeisian who had urged investment bankers to embrace a more public-spirited conception of their duties. The old ruling class remade itself as the Establishment, and from Henry Stimson and Averill Harriman to John Foster Dulles and McGeorge Bundy,

Create Your Own News. Everyone's Doing It.

Let your voice be heard with a pair Networks hosting plan and get out the"real" news.

pair Networks offers reliable, secure, and trustworthy Web hosting services at a fair price.

Visit **www.pair.com** and choose a Web hosting plan that will help get your message out to the masses.

www.pair.com

RESEARCH ASSOCIATE/PERSONAL ASSISTANT

New York City—Highly intelligent, resourceful individuals with exceptional communication skills sought to undertake research projects and administrative tasks for one of Wall Street's most successful entrepreneurs. We welcome applications from writers, musicians, artists, or others who may be pursuing other professional goals in the balance of their time. $90-110k/yr to start (depending on qualifications). Resume to: gen8R@spsfind.com

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the Wall Street Establishment shaped American foreign policy through such key instruments as the Marshall Plan, the International Monetary Fund, the World Bank, and NATO. The Establishment did not believe in the self-correcting mechanisms of the free market; its members re-created a crucial rapprochement between Wall Street and Washington. They also sustained a coherent (if not always convincing) rationale for the exercise of American power—until they overreached during the Vietnam War, and their authority imploded.

By the 1960s, some of the old élan was returning to the Street, in new idioms and styles. In 1967, in his best-selling book *The Money Game*, Adam Smith (George Goodman) mixed psychobabble and testosterone as he pleaded for a restoration of zest to investment. Meanwhile, hip capitalism was being born. Sideburns, flowered shirts, and love beads were appearing on the trading floor, worn by men who hailed from no place special. With locker-room crudity on the rise and the suits in retreat, the somnolent Stock Exchange received an infusion of plebeian energy. But the "go-go years" ended ignominiously in 1970, and Wall Street returned to stagnation and obscurity, in eclipse as it had been for decades. During the post–World War II era, the federal government had become the major source of both power and the abuse of power. For critics of the Cold War and the nuclear arms race, the chief threats to democracy seemed to emanate from "the sanguinary crackpot realism of the leviathan state," in Fraser's somewhat overloaded phrase—from schemes that the Establishment hatched in Washington, not on Wall Street.

IT WAS NOT UNTIL THE 1980S THAT one saw the full return of the repressed: the restoration of Wall Street as the headquarters of the American ruling class, an arena of capitalist power and masculine prowess. A renewed preoccupation with manliness was everywhere on the Street in the 1980s, but its obsessive focus was largely "desublimated into dick size," as Fraser wryly observes. Money and sex were openly merged; trophy wives and macho posturing proliferated. The trivialization of manhood was more than a matter of cultural style. People spoke of a second Gilded Age—but during the first one, for all its faults, speculative capital actually furthered American industrial expansion, whereas the 1980s saw little investment in plants and machinery or research and development. This was "paper entrepreneurialism," as Kevin Phillips called it.

In truth, the re-inflation of Wall Street depended in large measure on a return to its Hamiltonian days as chief speculator in government debt. And yet the new generation of Wall Street raiders posed as laissez-faire liberators—championing unenfranchised shareholders against stodgy banks and corporations, insisting that government regulation was the chief obstacle to recovery from the stagflation of the 1970s. Free-enterprise messiahs led a revolution from above. They were perfectly willing to compromise principles when it served their interests. They accepted the creation of a financial welfare state in institutions such as the Resolution Trust Corporation, which protected investors in home mortgages from the consequences of their own bad investments by socializing their risk, spreading it among innocent bystanders (otherwise known as taxpayers).

Free-market ideology was not the only example of Orwellian language. Investment jargon intensified into a maniacal babble, as new financial strategies acquired pseudo-scientific names—risk arbitrage, portfolio insurance, hedge funds. None of these measures accomplished what their names implied; all in fact did the opposite. Still, there were occasional flare-ups of candor, the equivalent of a middle finger extended toward any remnants of rhetoric about probity and public service. One such occasion was Michael Milken's "Predators' Ball" in 1987, at which Republican and Democratic senators cavorted with raiders and traders in a common celebration of crony capitalism. The mainstream media slavered in approval, applauding grotesque luxury wherever it appeared as a release from the alleged asceticism of the despised Carter years.

Eventually the rehabilitation of Wall Street involved far more Americans than a handful of laissez-faire ideologues. After a brief flurry of anxiety when the market dipped in October 1987, participation in the market began gradually to climb, reaching close to 50 percent of American households in the Roaring Nineties. This included a huge proportion of passive investors in pension plans, but no one could deny that—as in the 1920s—more people were playing the market than ever before. Yet even at its height, the bull market of the 1990s remained the playground of privilege—86 percent of the advance in stock prices went to 10 percent of the population, while the gap between the rich and the rest in the United States reached unprecedented heights, higher even than the previous pinnacle of inequality, the 1920s. The wealthiest 2.7 million Americans in 1999 had as many after-tax dollars as the bottom one hundred million. The real after-tax income of the middle 60 percent of Americans was less in 1999 than it had been in 1977. The mass prosperity of the New Economy, like that of the New Era, was little more than a booster's fantasy.

YET SUSPICION OF WALL STREET has virtually vanished, even in the years since the bubble burst and the scandals started proliferating. We have lost touch with the Progressive reform tradition, in either its egalitarian or paternalist modes. Ideals of stewardship and noblesse oblige, once common among the wealthy, have become about as fashionable as antimacassars and spats. The spirit of Brandeis survives in Eliot Spitzer and a few of his colleagues, but the whole institutional apparatus of reform has disappeared or been transformed beyond recognition—labor unions, the Democratic Party, the egalitarian traditions of Social Christianity.

The transformation of Christianity may be especially important. Consider the mighty New Life megachurch of Colorado Springs, one of the fastest growing in America, where Pastor Ted Haggard holds forth every Sunday to a congregation of eight thousand or more. According to Jeff Sharlet, writing recently in *Harper's*, Haggard believes that the globalization of capital is a God-ordained process, that unregulated trade is the only path to freedom, and that everything, even "spirituality," can be seen as a commodity. He learned all these things, Haggard says, from a book that he now requires the hundreds of pastors under his direction to read: *The Lexus and the Olive Tree*. Maybe it is a mere coincidence, this alliance of economicists, of the platitudinous pundit and the ranting revivalist. But it could also be a sign of what Spitzer and other reformers are up against—not only the usual suspects on Wall Street, but a re-evangelized culture of capitalism, driven by millenarian delusion and impervious to the actualities of most people's lives. ■

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Jerome Groopman
Medical Cultures

DISEASE AND DEMOCRACY: THE INDUSTRIALIZED WORLD FACES AIDS
By Peter Baldwin
(University of California Press, 465 pp., $44.95)

THIS SPRING, I ATTENDED A tenth anniversary party. The host, my patient, an affable architect in his forties, was celebrating a decade of surviving HIV. At the party were his parents, sister, nephew, neighbors, and friends from work, as well as his new partner. The celebration gave me pause to reflect on the course of the epidemic in the United States. The architect was certain that he would die once he learned that he had become infected, and indeed his immune system was deteriorating quickly when he first arrived for care. But, as it happened, he contracted HIV at the turning point in the history of antiviral drug development. While AZT and other compounds of its class slowed the reproduction of the virus in the body and transiently stabilized the immune system, they were ultimately too weak to contain such a wily pathogen: HIV readily mutated, threw off their shackles, and gripped the infected host in a downward tumble to death. Ten years ago, the first generation of protease inhibitors was being tested, and although these drugs came with their own side effects, they proved lifesaving in their potent and persistent blockade of HIV. It struck me during the party that the story of the architect's survival had become typical, if not commonplace. But looming in the background was another story, one that he had mustered the courage to make public in the hope that others would be spared his fate. This other story also is not rare; but, alas, it has a less triumphant ending.

Jerome Groopman is a professor of medicine at Harvard, the chief of experimental medicine at Beth Israel Deaconess Medical Center, and the author, most recently, of THE ANATOMY OF HOPE: HOW PEOPLE PREVAIL IN THE FACE OF ILLNESS *(Random House).*

My architect-patient was raised in a religious family, and although he is no longer strictly observant, he carries the strong moral code of behavior that dictates personal responsibility and honesty in all dealings, whether they be in business or in human relations. Although not naïve in the ways of the world, he expects the same from others. The man who infected him was the kind of person who garners respect and even admiration for his achievements: an accomplished scientist at a prestigious university who, with bitter irony, studies viruses. But the man's commitment to scientific truth did not extend to a commitment to personal truth. The scientist had a long-term relationship with the architect, and during all that time he lied about his HIV status. Although the couple practiced "safe sex," there is no sex that is absolutely safe. There is only sex that is more or less safe.

After the architect contracted HIV, he learned that his partner's deceit had been supported not only by friends, but also by physicians, nurses, and psychologists: none had confronted the scientist to demand that he tell the truth, or even offered the scientist help in telling the truth. Prominent AIDS support organizations took a non-committal stance when advice was sought about such disclosure. Even the federal agency responsible for tracking the epidemic, the Centers for Disease Control and Prevention, through a hotline counselor, framed the issue of informing a partner as a suggestion that should be considered, not as an absolute imperative, an ethical requirement that must be followed. My architect-patient could not reverse what had happened to him, but he believed that by speaking out and challenging the political correctness that surrounded disclosure, he might encourage others to adopt a more forceful policy.

He was not the first to question the probity of different interventions to stem transmission. From many quarters came many recommendations that could be cast within the structure of his story. Should the scientist have been quarantined? Or tattooed with some equivalent of a scarlet letter? Or forced to register with the local authorities so that interested parties could access him among a list of seropositives, akin to public lists of sex offenders? Or was his potentially lethal act—his lie—a reflection of the unjust social stigma around AIDS, a failure of society properly to educate its citizens about the disease? And when the scientist traveled abroad, carrying with him the potential to infect others, should those countries have been alerted to the danger he posed? If so, should he have been restrained at the border?

PETER BALDWIN'S BOOK FOCUSES squarely on such measures, probing the tension between the liberty of the individual and the health and welfare of the community during the evolution of the HIV epidemic. "In the absence of a cure, vaccination, or effective treatment," he writes, "prevention was the only means of controlling the epidemic. And here we again take up the theme of national variation in response to AIDS.... For despite the fact that, in biological terms, the problem faced by each polity was much the same, nations adopted remarkably divergent strategies for dealing with the epidemic."

Baldwin's interesting and important subject is the relationship between medical cultures and political cultures. He provides a learned survey of the different responses that different societies have offered to the epidemic:

> At one extreme, a bevy of poor and peripheral countries ... imposed drastic measures of traditional contagious disease control on the sick and infected. China, Iraq, and Syria demanded testing of aliens entering for long stays and nationals returning from abroad. In China, anyone with reason to believe that another citizen suffered from AIDS was required to report that person for isolation and treatment. Seropositives and their contacts were detained for examination, restricted in their activities and movements, and obliged to carry registration cards. In the Indian state of Goa, no one could refuse HIV testing if disease was suspected, and seropositives were isolated. In India generally, AIDS patients could travel by rail only with permission of the stationmaster and only if willing to pay for the entire compartment. Cuba imposed screening on broadly defined

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

> groups (travelers abroad, hospital and STD patients, pregnant women, and the sexual contacts of seropositives) and, ultimately, on the entire population through its inevitable contacts with the national health system. Seropositives were isolated in sanatoriums where, though they were quarantined, their salaries were paid. They were allowed to pursue their educations, permitted home visits, and otherwise treated (by most accounts) in a humane fashion. In Mongolia, HIV screening was compulsory for all citizens, enforced if necessary by direct police action. AIDS patients who did not follow medical prescription could be isolated and treated by force, and pregnancies among seropositive or sick women were to be terminated.

The stringent measures instituted in developing countries placed the welfare of the community above the rights of the individual, and they were widely reported in the Western media. They were a backdrop to the *Kulturkampf* in the United States and Europe between religious fundamentalists and the heirs of the sexual revolution. But Baldwin moves beyond such familiar territory, and comprehensively examines the public health response to HIV in the industrialized nations of the West. He finds it remarkably varied. Moreover, the degree of variation did not consistently track along a particular country's level of liberalism. Again, I will let him speak skillfully for himself:

> Some observers have argued that Western industrialized democracies eventually adopted largely comparable strategies based on education, voluntary testing, and behavioral change. While some nations may at first have implemented traditional measures, all eventually recognized their dysfunctional effects and abandoned them.... In the most optimistic accounts, this consensual strategy finally resolved the perennial public health dilemma between the rights of the individual, even when infectious, to autonomy, bodily inviolability, freedom of movement and occupation, and other activities of potential threat to others, and the claims of the community to protect itself against contagion. If a consensual approach to AIDS alone provided effective prevention, so the argument went, there was no contradiction between individual rights and the public weal. AIDS was thus treated in an exceptionalist manner.
>
> In fact, however, such epidemiological optimism does not hold. Even in the heyday of traditional prophylaxis for contagious disease, during the late nineteenth century, Western nations varied starkly in their choice between coercive and voluntary measures. During the AIDS epidemic, they diverged equally—in large measure in tandem with the approach taken already a century or more ago. The tactics for dealing with this epidemic were therefore not determined only by the nature of the new disease itself, or by etiological and epidemiological insights won during the AIDS era. They were also influenced by historical factors that, over a long period of development, had helped cement approaches to contagious disease, indeed to public health in general. Despite commonalities in many other respects, in this most recent epidemic Western nations continued to differ markedly in their preventive tactics and in their ideologies of statutory intervention.

Baldwin uses Sweden as the most illuminating example of this divergence from the perceived norm. There the government mandated the tracing of sexual contacts of infected people, and gay bathhouses were shut down.

> The Swedes subjected seropositives and AIDS victims to restrictions without compare outside eastern Europe's socialist—and later formerly socialist—nations: compulsory examination, mandatory contact tracing, possibly indefinite quarantine of recalcitrants, as well as extensive monitoring of seropositives' behavior by the police and social authorities. Another Swedish anomaly was to rule out anonymous screening for those who proved to be infected. Gay saunas and bathhouses were closed. Needle exchanges were permitted only within limits, and drug policy remained fixated on abstinence, with little of the harm minimization increasingly in favor elsewhere. The main principle of Swedish epidemic control legislation, as the authorities themselves put it, was to assure the power to compel behavior that citizens might not adopt on their own. It could not be left to individual choice whether to seek medical treatment. Educational efforts were heavily targeted at the average person outside the main risk groups, and a particularly pungent fear of epidemiological outsiders—not just gays, prostitutes, and addicts but also Danes and other foreigners—was given voice.

Such measures did not mark all of Scandinavia, since Norway and Denmark took a hands-off approach, including the absence of mandatory contact tracing. Germany was divided along a north-south axis: Bavaria required HIV carriers to notify their sexual partners and their medical providers, while in the north public health requirements were less clear. France did not require seropositives to notify their partners, nor did it require contact tracing. Switzerland ruled that physicians could not inform third parties without their patient's consent, and seropositives were not obligated to inform their sexual partners, although they might be held culpable if they engaged in sex without condoms. The United States had its most restrictive policies in the military, with mandatory testing, and in immigration; HIV carriers attempting to enter the country were to be deported. Other public health measures were inconsistent across the country, such as closing gay bars where sex took place in back rooms.

BALDWIN ARGUES THAT THE conventional wisdom, drawn from the field of economics, holds that rational utility should dictate personal and public behavior—but historical memory, Baldwin contends, can be a more powerful driver of thought and action. Beyond the response to nineteenth-century epidemics such as cholera, the more recent experience of Nazi policies with regard to individuals who "contaminated" society through their religion or genetics made modern Germany leery of appearing to act in concert with its fascist past. This informed the public health measures of the north of that nation. Baldwin's book will certainly serve as the most detailed reference of public health interventions in the industrialized world.

The story of this disease in our democracy has not yet reached its end. The spread of powerful sexually stimulating drugs such as crystal methamphetamine has caused a resurgence of HIV transmission in the gay community, especially

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

among young people who were not imprinted with the experience of countless friends' and lovers' painful deaths prior to the advent of protease inhibitors. Baldwin's convincing survey suggests a companion study of how effective different measures were in containing the spread of the virus within industrialized nations. Now, some twenty-five years since the first description of AIDS in the United States, as we celebrate the survival of those like my architect-patient, we still struggle to craft public health measures that will limit the spread of HIV. Often, as Baldwin shows, we have paradoxically summoned the historical memory of other epidemics, such as cholera, to direct us. And in this realm, as in many others, memory may not be our best guide. ■

Dan Halpern

Tyrants and Gluttons

THE BANQUET IN BLITVA
By Miroslav Krleža
Translated by Edward Dennis Goy and Jasna Levinger-Goy
(Northwestern University Press, 346 pp., $25.95)

IN MY FAVORITE FOREIGN LANGUAGE textbook, the State Department's Serbo-Croatian Basic Course, published by the Foreign Service Institute in 1965, new students of the language will find a solemn, somewhat startling admonition. Those brave souls who dare to tread such perilous linguistic ground are duly advised that "under no circumstances should the student attempt to pronounce the Serbo-Croatian before he has heard it." Under no circumstances! You have been warned. Still, this was not an entirely unreasonable piece of advice to offer hopeful young diplomats, or hopeful young spies, or whoever was following the State Department's Yugoslavian curriculum in 1965. Serbo-Croatian is a hard language for Americans to pronounce.

At the same time, this friendly caution sounds a small alarm that would develop into a clanging political truth by the early 1990s: you cannot understand these people, so don't even try. Who could hope to grasp the thousand-year-old enmities between Croats and Serbs, a clash of peoples who still felt they were peoples after a thousand years of statelessness? How did the Turks get involved, and when did they let the Austro-Hungarian royal-imperial express leave them behind? Which peoples developed under the influence of the Roman Empire and which under the Byzantine? If the place is called Bosnia and Herzegovina, why do we only seem to hear about the Bosnians? What about the Herzegovinians? Or is it the Herzegoviniaks?

A novel such as *The Banquet in Blitva* seems to require a reader who is well acquainted with what has happened over the last two thousand years in the parcel of land to the east of the Adriatic Sea that, for a brief time during this century, was known as Yugoslavia. For Miroslav Krleža's book is at first glance a political allegory: the story of a power struggle in a fictional country called Blitva, nestled next to its negative image, Blatvia. Blitva has been returned to the map after World War I, restored to sovereignty after a thousand years of non-existence, still surrounded by hungry European and Slav powers and bent by the weight of resurrected, realized nationalisms. This scenario might sound vaguely familiar even to the haziest students of the Balkans.

But *The Banquet in Blitva* is not simply a polemic, a political agenda barely couched in allegory. To be sure, a host of details are littered throughout the novel that sensitive historians can match with events and moments in Croatia, Serbia, Slovenia, Bosnia and Herzegovina, Macedonia, and so on; those same historians should examine carefully references to the Roman mud, the Hungarian yoke, the Hapsburg demise. But for those readers who have less of a grasp on Balkan history, there is something more, and something greater, to be found in what remains after that particular historical dust has cleared. For *The Banquet in Blitva* is one of the great satirical novels of the twentieth century. Like all the best satire, it leaves the object of its mockery cleanly behind, standing alone as a work of art even for readers who may have no idea what it actually parodies.

KRLEŽA WAS BORN IN 1893 IN Zagreb, the ancient capital of Croatia, and as was the case for so many of the great European writers of the time, the sleepily decaying rule of Franz Josef I, emperor of Austria and king of Hungary, would determine much of his adult political and aesthetic consciousness. (A little history while you're here won't hurt you.) Zagreb was at the center of a rising Croatian national movement, and Krleža wasted no time in becoming one of the loudest and most articulate critics of the Hapsburg monarchy in Vienna, as well as the more direct control exerted from Budapest.

The rotting giant that controlled Central Europe lasted only into Krleža's twenties, but its demise hardly spelled the end of his dissent. In 1918, after the first iteration of a Yugoslav federation was created, he added the authoritarianism of the new royalist government to his list of targets. Krleža chose to become a Marxist early on, and though he remained a radical pacifist and a socialist all his life, he never acceded to the perversions of Marx's legacy over the twentieth century. After World War II, when Josip Broz Tito came to power and brought with him his turgid communist regime, Krleža's fearless criticism of the state brought as much unpleasant scrutiny—or more—from the left as from the right.

Despite a life of unrelenting criticism of the centers of power in his own country, in all their various incarnations, Krleža became the colossus of Croatian literature: he is considered by many to be the single most important figure in a literary tradition that had begun five centuries before. (His countryman Ivo Andrić, who won the Nobel Prize for Literature in 1961, is better known outside Croatia.) From his first book of poetry, published in 1917, to his death in 1981, Krleža published eleven volumes of poetry, eighteen books of prose, eleven plays, and more than twenty collections of essays and criticism. Of these, three works of fiction have previously been translated into English.

The Banquet in Blitva is, superficially, the most overtly political of these prose

Dan Halpern is a writer in New York.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

works. First published in 1939, it takes place in a mythical region of northern Europe called the Karabaltic, not long after the Christmas coup of 1925 performed by a certain Kristian Barutanski, whose cruel control of Blitva is based in terror and tyranny. Barutanski foreshadows the great literary dictators of Latin American literature, from García Márquez's Caribbean despot in *The Autumn of the Patriarch* to Roa Bastos's Supreme Dictator for Life in *I the Supreme*, a monster with at least the form of a soul, if not the content of a human spirit. He is also a great inheritor of a particularly old literary tradition: the devil as seducer. As with Milton's Satan, who, clever and persuasive, becomes considerably more appealing than his bland and vague divine opposite, the brilliant light of Barutanski's mind threatens to outshine that of his adversary, an intellectual called Niels Nielsen.

BARUTANSKI AND NIELSEN ARE childhood friends and veterans of the same battles, but Barutanski has come out of the disaster of the Great War as the Lord and Protector of little Blitva, while Nielsen is a quivering thinker. Krleža presents the leader initially as an ogre, simpleminded and brutal, a dictator equipped with the usual excuses of repressive regimes:

> If you wanted to make chicken soup for an invalid, then first of all, you had to kill a chicken. Be it a chicken or mankind was mere pedantry. Measured on a greater, let us say universal, scale, the two were absolutely the same.... To create Blitva, as a fait accompli, out of the chaos of war conditions, it was absolutely necessary to wring the necks of several thousand Blitvinian chickens.

The ridiculous Barutanski lives in a moral world of his own crooked creation. But Nielsen hardly appears to be a worthy opponent. His main recourse to the sins of the state is an open letter to Barutanski, a righteous protest against the atrocities that the leader has committed, phrased in hotly aggrieved philosophical terms. It is Barutanski whose fevered mind begins to sound as if it is living in a real world. Nielsen wants civil liberties, democratic freedoms, better lives for chicken farmers, and clean spittoons in train stations, and all this without scaffolds, without secret police. He dissents, but he proposes nothing. Nothing, that is, except that Barutanski should hang from the scaffold himself. Where Nielsen is pompous, Barutanski is funny; where Nielsen is inflexible, Barutanski seems able to understand his opponents' point of view. Meanwhile, it is the monster who has made a nation:

> All people in general were shipwrecked, and man's life was nothing but a constant shipwreck. And from the wrecks, all around us, floated irrigators, chocolate, toilet bowls, radios, pumps, pipes, books, guns, cannon, whole shipwrecked civilizations drowned around us, but Kristian Barutanski's cosmic task was at all costs to assure a favorable export of Blitvinian beer and Blitvinian sugar beets, and therefore he needed shooting down like a dog, for he had truly secured those exports by legal international trade agreements, under the jurisdiction of the court in The Hague. What logic!

The monster has achieved exactly what the generations of man have always strived for, the essential human task: order out of chaos.

THIS IS THE PHILOSOPHICAL BATtle that *The Banquet in Blitva* proposes, and it is not a hopeful one. The naïve intellectual against the realpolitik mass murderer? An ideal society that cannot exist versus a real society that is hell? As the narrative complicates itself, Krleža draws a version of the complex political conversation that overlies and obscures this fundamental problem, the details that fill out the battle over liberties and securities, human rights and human needs, ideal and real, but beneath it is the persistent question that human history has never been able to answer satisfactorily. Can we create a society not based in force, a society that is not perpetually in opposition to itself?

The hysteria of power, in *The Banquet in Blitva*, cannot ultimately sustain its end of the bargain. Barutanski is seductive, but as he perceives a slackening of his iron grip his mind begins to gallop, and he is unmasked as a sociopath, interested only in his own survival and power: "It wasn't a question of satisfying some so-called idea of justice, utterly senseless, by the way, but it was a matter of life and death! Indeed it was! My head or yours, gentlemen!"

AFTER THE PUBLICATION OF the open letter, it is Nielsen's head that Barutanski wants, but the intellectual escapes to neighboring Blatvia, where the developing wave of nationalism in the Karabaltic is put in sharp relief. Every crime of Barutanski's in Blitva has been committed in the name of Blitva, and its only transcendent idea is the destruction of Blatvia. Blatvia is hardly any different, though it still lacks a monster of its own. It is a nation obsessed with its historical mistreatment at the hands of brutish, oversized foreign powers, and not without a certain perverse pride in its own martyrdom. Intellectuals in Blatvia think of little but their wild plans to attack Blitva; obsessed with their centuries of subjugation, they are looking to assert a little power.

The satire here seems less desperately pessimistic than Krleža's mockery of Blitvinian authoritarianism. Without a Barutanski figure, the Blatvians are merely ridiculous. Krleža's creation of a ridiculous Blatvian epic folk poetry tradition, for example, mocking the mythification of old defeats, has a slightly lighter touch, if still a little fatalistic:

> The saber swished, the head of Blatvia fell,
> Blatvia fell headlong into the grass.
> The head, it fell, the head without a pillow,
> A head that's dead will never suffer headache....

(The Blitvinian traditional verse is also silly, but a little more sober. An excerpt from Blitva's own national romantic ballad goes: "Blitva, my fatherland, / You're like a gangrenous disease.")

But it is the Blatvian exile that provides Krleža with the stage for his deepest pessimism. Nielsen, as Barutanski's enemy, is celebrated as a hero in Blatvia; his open letter is distributed everywhere, and his books are transformed into instant best-sellers. As such, he is treated to a clear view of the bitter hopes of the nation: to rise above the mire of history and claim what is theirs.

Ulysses
Vintage book reviews from the pages of The New Republic.
Only at www.tnr.com/indexarts

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

And what, exactly, is theirs? What hope is there for a nation? As the Serbian-American poet Charles Simic has remarked, "Sooner or later our tribe always comes to ask us to agree to murder." In Blatvia, Nielsen is adopted by "the greatest hope of young Blatvian literature," a playwright called Patricius Baltic, who proposes that he has found the solution. His new play, *The Puppets*, concerns a certain puppet called Yorick who has discovered that we are all nothing more than puppets on a string. Baltic explains his work to Nielsen thus:

> "And since the performances in this puppet theater go on forever, so the puppet Yorick eternally plays the same role, hung on a string, against his own will, and since, being on a string, he's compelled to play, the puppet revolts, logically, and so the prologue opens with his revolt in verse. Yorick's view is: Since we're all puppets on a string and since we all enact the same puppet show which lasts forever, our only way to be free is to cut the string and disappear from the stage of this stupid theater that performs such stupid things."
>
> "What is this? Nihilism? Suicide?"
>
> "No. My play is a comedy! Come and see it, Doctor! In the epilogue I've solved the problem of our puppetlike existence by means of a trick!"

To this, Nielsen can only think: "Such are poets! All they needed was one little trick!" But he cannot resist going to the play. And what is the trick? Could it work? We never find out: in the third act of the play, before Patricius Baltic's miraculous solution can be revealed, gunfire erupts—an attempted assassination has taken place—and the theater is cleared.

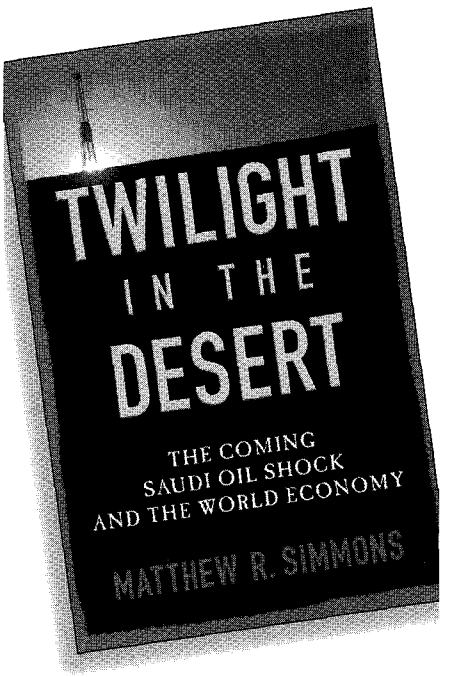
So there can be no trick. In Krleža's universe, the success of a revolution is transformed into the imposition of a totalitarianism, which leads to another revolution, which leads to more atrocity sanctioned by power. Each attempt at a collective civilization is ultimately defined in opposition—opposition to another civilization. "Thus, the nationalist fears no one but his brother," wrote Danilo Kiš, the great Yugoslav writer who died in 1989.

What is left in all this hopelessness? It is easy enough to answer: the extraordinary artwork that renders it. Krleža's translators, Edward Dennis Goy and Jasna Levinger-Goy, are very fine writers themselves, given the difficult task of presenting Krleža's gathering welter of wild language, which achieves a dizzying momentum as the situation grows direr and direr. Krleža is most often dubbed an "expressionist," which is a vague term for a writer but not inappropriate, though his view of the world is rather wider than that of Ernst Ludwig Kirchner or Emil Nolde. There is comedy left as well, not the misery-laden sneering of the satirist but rather something like what John Updike once called a resignation "which converts depression into the cosmic humor of Kafka, or Bruno Schulz." There are the hopeful complications of humanity, finally, that Krleža can offer: a dictator who can think, murderers who look like men, and heroes who cannot act.

Is art, then, all that's left us? It is easy enough to offer this answer, for it is an answer that has been given often enough: the tradition in art of suggesting that hopelessness is our fate has had a somewhat suspicious propensity over time to suggest as well that art is our only hope, or is all that is worth anything. This is not Krleža's answer—at least not in *The Banquet in Blitva*. The Blitvinians and the Blatvians eat each other and themselves, and art is just as corrupt as politics, and any attempt at purification results in only a new kind of dirt rubbed in the wounds.

And yet he tried. *The Banquet in Blitva* was published in two volumes in 1939, shortly before Serbs and Croats would kill each other in the name of ideologies and nationalism again, and five decades before Yugoslavians would kill each other yet again. Krleža published a third volume, still to be translated, in 1962. Perhaps the final chapter is more hopeful. But throughout his writing life, Krleža resisted. He resisted the imperial powers, the royal powers, the communist powers. He resisted being told what art could do, and how it should do it. If art could not be morally engaged, he would make it morally engaged. If it had to be morally engaged in this way, he would make it morally engaged in that way. Like Beckett's unnameable narrator, he said to himself and to his readers: you must go on, I can't go on, I'll go on. He said it as well, perhaps, as any novelist of his century. He said it again and again, in a language that all people must learn how to pronounce. ■

Running on empty?



"This book is likely to be the most important ever written about oil."
—Richard E. Smalley, PhD,
Nobel Laureate in Chemistry (1996), University Professor, Gene and Norman Hackerman Professor of Chemistry, and Professor of Physics, Rice University

"*Twilight in the Desert* provides much-needed transparency to a subject long hidden from public view."
—Robert E. Ebel, Chairman, Energy Program, Center for Strategic and International Studies, Washington, DC

WILEY
Now you know.
wiley.com

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ACTON DIARIST

The Class of 9/10

MY ALMA MATER, ACTON-Boxborough Regional High School, has gotten a lot of attention lately. It is one of the top public high schools in Massachusetts; its football team is currently the best in the region, and its SAT scores are just as enviable. According to a fawning October 2004 profile of the school in *The Boston Globe*, it is a place where "the football players are smart and academic standouts are also champion swimmers." This year, 35 students approached the principal and asked if they could take an additional class during lunch. About one-third of all graduating seniors take AP calculus. The towns of Acton and Boxborough—Boston suburbs whose primary vices are badly driven SUVs and the occasional runaway farm animal—are populated by high-achieving families who expect excellence from their children. They happily pump money into a school system that churns out superstars like mass-produced cupcakes.

I RETURNED HOME TO WATCH MY brother (true to family tradition, *not* enrolled in advanced calculus) graduate. And, while watching people I used to baby-sit receive their diplomas certainly made me feel old, I was humbled by something else, too: the unusual maturity of the graduates. These kids were not only the best and the brightest—they were also a special group for another reason. The class of 2005 had been in high school for only a week when the Twin Towers crumbled; the event played out on live television in school common areas and sent students scrambling for their cell phones to call home. Four people from the area perished in the attacks. This class lived out their teenage years under the specter of terrorist threats, color-coded alerts, and war. When I was in high school, the biggest story was O.J. Simpson's Bronco chase. O.J. coverage was an effective way to postpone studying for final exams, but it was not especially life-altering (though I would have incurred the wrath of my parents if I didn't perform well on the final—this was Acton, after all).

ONLY SEPTEMBER 11, I IMAGINED, could have molded the class of 2005 into such impressive mini-adults. Teachers marveled over how these kids were unfailingly nice to one another. They were respectful of their elders. They were a strangely compassionate bunch—no class in school history had performed more community service. I listened to my own commencement speech in a haze of cigar smoke, dodging beach balls. This year's commencement speech, given by a student more articulate than some of my former college professors, was delivered to a captive audience and implored the graduates to have "compassion, integrity, and courage." A-B's award-winning band then swung into "Vienna" by Billy Joel, encouraging students to "slow down, you're doing fine—you can't be everything you want to be before your time." I stared lamely at my program and felt inadequate. These kids already had the sophisticated façades of Fortune 500 CEOs. Their reality was so much harsher, I reasoned. They came of age in a different, more precarious, world. They had to grow up fast.

BUT I SOON DISCOVERED THAT I HAD been too quick to attribute everything—the solemn speeches, the increased push to excel, the palpable ambition—to the post–September 11 world. When I spoke to several of these highly groomed students, they dispelled my illusions. "There's no connection to the real world," admitted one. "We're not afraid of dying because of terrorism. We're afraid to join the military." And then, somewhat ominously, "We're motivated to succeed to avoid death." Chastened, I reminded him of a recent school protest against the Iraq war, an event that ensnared countless minivans in the town center as they attempted to bypass sign-wielding teenagers. "It's fashionable compassion," he said casually, unwittingly appropriating Tom Wolfe's theory of radical chic. "It's generational envy. We learned about our parents protesting. We need to have a cause, too." He shrugged, as though a cause were something to be acquired, like an iPod.

I CONFRONTED MY BROTHER, WHO PRIDED himself on political awareness, about this seemingly out-of-character apathy. "Why would anyone join the military? You could *die*," he explained helpfully. "When I watched the kids in [*Fahrenheit 9/11*] in Flint, Michigan, you feel sad, but there's no real connection. We admire the people who are involved in the war on terrorism, but we don't want to be them. Acton is sheltered. The division has grown stronger, if anything."

"THE DIVISION"—THE UNSPOKEN ELEment (in a place accustomed to its highly publicized attributes)—is, of course, between the haves and the have-nots. It is as much a part of the town as the cannon in the old-fashioned town square. Here, students are driven to succeed, and are sometimes punished if they do not. (According to the *Globe* article, the school counseling center runs therapy sessions to alleviate anxiety, not about terrorism or war, but about poor grades.) Parents are just as involved as ever—one family went so far as to publish their daughter's class schedule, packed with AP courses, in the yearbook. For the most part, these exceptional students from this outstanding class will not be on the front lines of war or even measurably affected by it. They may learn to analyze it, but they won't live it. The more they achieve, the more safely removed they will be from places like Iraq, Afghanistan, and Flint, Michigan. Out of a class of approximately 370, only four students plan to join the military. I had to wonder whether the battles these kids fight daily—to get top grades, to gain acceptance to elite colleges, to stand out on the football field—would be the same ones the world would hand them when they graduated.

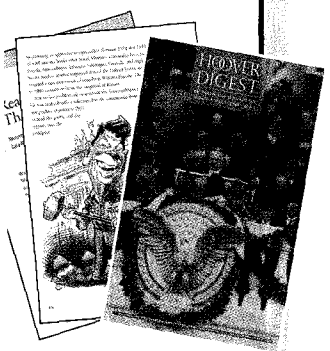
"EVERYTHING CHANGED AFTER 9/11." I'd heard the phrase millions of times and blithely accepted it as true. But, back in my hometown, I wasn't so sure. This town on the cutting edge, the envy of nearby communities, excels at something else, too: epitomizing the disconnect of the suburban upper middle class. Here, life-or-death seems to revolve more around the struggle for status than engaging, physically or mentally, in a battle that has droned on in the periphery since 2001. As it turns out, some things never change. In a privileged town like Acton, as in the war on terrorism, fear remains a great motivator.

KARA BASKIN

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Newsweek, Facts and Evidence

HOOVER DIGEST
RESEARCH AND OPINION ON PUBLIC POLICY



FREE ISSUE
Receive a complimentary issue of the latest Digest without obligation.
Call 800.935.2882 or visit www.hooverdigest.org

Paid for by the Hoover Institution, Stanford University.

I have often told students in my Media Law and Ethics class that even as a professional journalist I consider myself lucky for having attended law rather than journalism school. Journalists are trained to appreciate facts, whereas lawyers demand evidence. A journalist might print or broadcast information that a lawyer would never dream of introducing as evidence because the court would hold that its prejudicial impact exceeds its probative value.

That seemed to me the basic problem with the *Newsweek* telescope item predicting that a military investigation would conclude that Guantanamo Bay interrogators had flushed one detainee's Koran down a toilet. Even if true, the item revealed no pattern of religious or even Koran abuse, no widespread breakdown in troop discipline in contrast to the disgraceful military conduct at Abu Ghraib prison, no systemic excess as with the alleged deaths of twenty-seven Iraqis while in U.S. custody. The 300-word piece was thus of negligible probative value. Nevertheless, it packed enormous prejudicial impact; that the story was false added a touch of irony to the tragedy of deadly riots in Afghanistan and Pakistan.

The real Koran story in Iraq has nothing to do with mistreatment of the book. Rather, it has to do with crimes against humanity committed in Iraq every day inspired by the Prophet's word. In the name of redeeming Islam, jihadists steal across Iraq's borders intent on murder, kidnapping, and other acts of barbarism. Together with homegrown insurgents, they plant bombs along heavily traveled roads, attack schools and marketplaces, seize and murder civilians, target the country's infrastructure, and blow themselves apart after penetrating the largest crowds of innocents they can find.

Their enemies are democracy, modernity, equality for women, cultural licentiousness, and any version of religion save their own. The qualities they hate most are embodied in the United States, a nation of diversity, tolerance, and the secular rule of law. Many jihadists are armed spiritually with the latest fatwah licensing their deed, extolling their sacrifice, praising the blow they have struck against enemies of Allah, assuring them a place in heaven.

Even more to the point, where are the Islamic dissenters? Where are those who we are told represent the sweetness of the Koran, its inner humanism, the jihad connoting the struggle of the soul for virtue rather than the thirst of the warrior for death? **Where, in short, are the voices of Islamic enlightenment?** And why do the most prominent among them speak so often from London and so rarely from Riyadh, Cairo, Tehran, Damascus, or even Amman.

The real story of Koran debasement is there for the telling, much of it in Iraq where the media are better able to shelve their propensity to disparage the U.S. effort, more often treating atrocity as operational success than as evidence of the insurgents' inhumanity. Perhaps, as some suggest, the media's mind-set harkens back to Vietnam with its phony body counts and spurious claims of progress. I disagree. Rather, it was the failure to find weapons of mass destruction coupled with planning errors allowing the insurgency to gain traction after the war was "won" that created a media environment polluted with cynicism and mistrust. In such an environment it is easy for facts to get in the way of evidence.

—Robert Zelnick

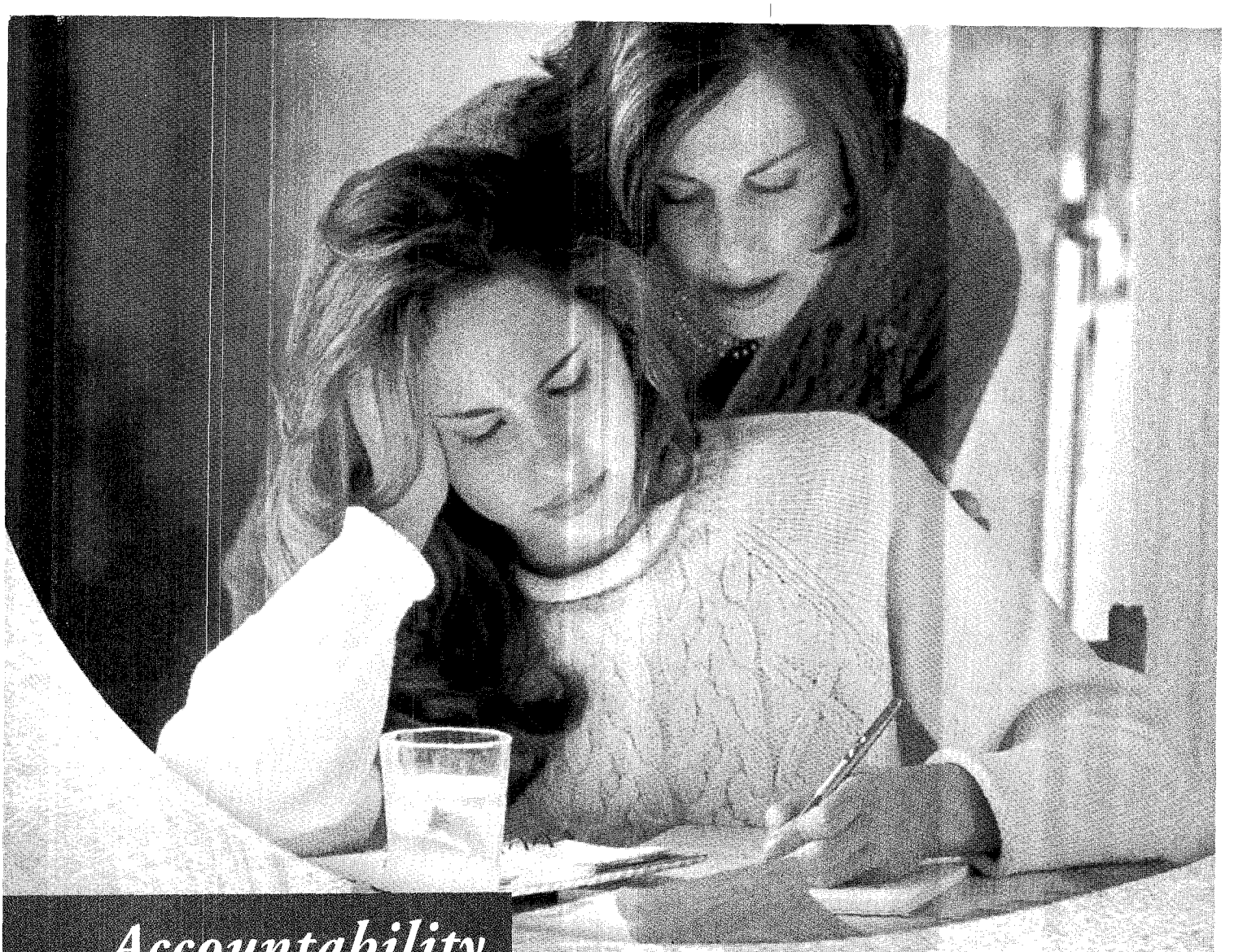
Robert Zelnick is a research fellow at the Hoover Institution and chairman of the Department of Journalism at Boston University.

HOOVER INSTITUTION

. . . ideas defining a free society

Hoover Institution Stanford University Stanford, CA 94305-6010 Tel: 877.466.8374 Fax: 650.723.1687 info@hoover.stanford.edu www.hoover.org

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



Accountability

Parents have made one thing clear in the last few years. They want their children to learn, and they're going to hold the entire education system accountable to make sure they do.

ETS is a partner with parents and teachers to advance learning. To make sure teachers have the tools and training they need. To help parents be certain their kids are prepared for what lies ahead.

Helping teachers teach, students learn and parents measure the progress of their children is what accountability is all about. At ETS we hold ourselves accountable for helping every learner do better. Every product we make, every service we offer, every test we design is built on that commitment.

ETS. Helping prepare each new generation for whatever the future may hold. Log on. Let's talk about how we all accomplish that goal.

Listening. Learning. Leading.

ETS®

www.ets.org

EDUCATIONAL TESTING SERVICE

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED